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NATIONALISATION

Chaos or Cure?

by

JOHN BAKER WHITE

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Chapter 1

APPROACH TO NATIONALISATION

In 1893 a Socialist Member of Parliament, the famous Keir Hardie, laid before the House of Commons the first Bill for the nationalisation of the coal industry. It was, of course, rejected out of hand by the Commons, and little was heard of nationalisation for several years. On 30 January 1946, Parliament gave a second reading, by 359 votes to 182, to the Coal Nationalisation Bill. Keir Hardie's demand of fifty-three years earlier had become accomplished fact. More than that. While the bearded, red-tied Socialist pioneer had demanded the nationalisation of one industry only, the 1946 Bill represented but a part of a wide plan of nationalisation, covering the Bank of England, cables and wireless, road and rail transport, gas and electricity, docks and harbours, and possibly the iron and steel industry.

Provided the Socialist Government runs its full term of office there is nothing to stop it putting the whole of this plan of State control into practice, unless it is discouraged by, say, a major failure in the coal industry. The transfer of industries and services is always an expensive undertaking—unless they are confiscated—and as the Socialist Government has forsworn confiscation the cost falls ultimately upon the taxpayer. It is an often forgotten truism that the State has no money save that which it extracts from the public in the form of taxes or savings. It is therefore of fundamental importance for the British people to have clearly in their minds a picture of what has resulted from nationalisation in other countries. A picture of successes and failures, of what it has cost, of what its effect has been on those employed in State-controlled undertakings. That is the

purpose of this book—to give an objective picture of State control in practice.

The facts and figures given in it are taken from many different sources; State accounts and reports, parliamentary debates, reports of commissions of enquiry. In all cases they have been checked and authenticated. This book is not an attempt to analyse nationalisation as a political theory or to trace in detail its growth in Britain as a political demand. It is an attempt to state the facts of nationalisation in practice, often a very different thing. Speaking in London on 22 November 1945, Mr. Emanuel Shinwell, M.P., the Socialist Minister whose task it was to put through the Coal Nationalisation Bill, said:

'We are about to take over the mining industry . . . That is not as easy as it looks. I have been talking of nationalisation for forty years, but the complications of the transfer of property had never occurred to me.'

He spoke as a life-long and passionate advocate of State control. Another Socialist expert on nationalisation, Mr. Arthur Woodburn, M.P., also delivered himself frankly, and perhaps prophetically, on the translation of theory into practice. Writing in the Socialist paper *Forward* on 24 March 1945, he said:

'Many industries are not in a position to be nationalised . . . We might say there is general agreement that the mining industry must be co-ordinated. But how? Shortly the Miners' Federation are to put forward a scheme. Presumably the miners will realise that a scheme which was merely to benefit the miners would be as suspect as the mineowners' scheme and the Miners' Federation will I expect tackle it from the public interest point of view. To convince the public we have to answer doubts in their minds. For myself I consider it quite unconvincing for anyone to argue that the miners will work harder because the State owns the mines . . .

'But the prosperity of this country depends upon the mining industry being efficient, and the war has brought many doubts

about the working of a bureaucratic administration of the mines. . . .

'Even some miners say that they can get decisions from the mineowners but it becomes more difficult if it has to go through layers of officials to a political head who has to weigh up all the political reactions before he can say anything. How then are we to get public control with quick decisions and efficient working? Endless committees may be all right to settle policy but it requires personal responsibility to get action without delay. Experiments in workers' control both in the German Weimar Republic and in Soviet Russia proved this. If we cannot get more coal by working the miners harder can we guarantee that by nationalisation we will not get less coal as the opponents allege? . . .

'Even the land appears to be a simple proposition but it bristles with complications quite apart from the land of "our noble families". I believe the State and the Local Authorities are already by far the biggest landowners in the country, and, when the owners of small houses are taken into account, the private exploitation of land is becoming a much smaller proposition. Let us then say what we are going to do with the land quite clearly and not terrify all the small householders. In short, there is no virtue in nationalisation for its own sake. . . .'

Socialist speakers and writers often advance the argument that Conservatives and other non-Socialists cannot oppose their present plans for State control because anti-Socialist governments have in the past put through nationalisation plans themselves, *e.g.*, the telephone system, and coal royalties. This argument is fallacious. The colour of the government introducing a particular act of nationalisation is of little importance. It is the result, and the cost to the taxpayer, that matters. What matters even more is whether the government has the courage to scrap the experiment if it proves to be a dismal and expensive failure.

APPROACH TO NATIONALISATION

The British miners have advanced nationalisation as a political demand for over forty years. Now it has been granted to them. To the miners that may be an event of great importance; but in itself it is of little importance to the ordinary domestic coal consumer. What is of importance to him is whether nationalisation will mean more coal and cheaper coal—or less coal and dearer coal. If the former proves to be the answer then there is new hope for the coal industry, but if coal becomes scarcer and dearer, or if the price can only be kept down by a subsidy borne by the taxpayer, then coal is destined to become an obsolescent fuel, to be replaced by oil and atomic energy, and a huge sum of public money will have been poured down the drain of a wasting asset.

How has State control worked out in practice? Has it resulted in profits or losses? Has it meant greater or less efficiency? Has it been of material benefit to the wage-earner? Has it lightened or increased the burden of the taxpayer? Has it meant higher or lower output, higher or lower prices? This book seeks to answer these questions by an array of documented facts.

The critic may say that this book does not cover all State-controlled enterprises in all countries. That is perfectly true, for the simple reason that it has been exceptionally difficult, after six years of war and complete disorganisation of international communications and correspondence, to get any reliable figures regarding many enterprises.

Chapter 2

THE STORY OF STATE SHIPPING

WHEN the Socialist Government listed the industries and services that it proposed to bring under State control it stated that it did not propose to include the shipping industry in its scheme of nationalisation. No detailed explanation for this decision was given, but it is quite understandable if it was based on the results of State-controlled shipping in other countries. It has been said that the quickest way for a rich man to get rid of his money is to run a large steam yacht. State-owned shipping has certainly proved one of the quickest methods of getting rid of the taxpayers' money.

Let us have a look at what happened in Australia. In 1916 there was a persistent demand from Socialist politicians and trade union leaders in the Commonwealth for a nationalised shipping line. The Government of the day was unable to resist this pressure, and the Commonwealth Line came into being. At first it was successful, largely due to war-time prices, but it was not long before its fortunes started to decline and considerable working losses, to be met out of the pockets of the Australian taxpayers, were recorded. According to a statement made by the Prime Minister, Mr. Bruce, on 22 February 1925, the balance sheet for 1921-22 showed a loss, including interest and depreciation charges, of £1,171,369. In the next financial year results were even worse, with a loss of £1,626,150; and in 1923-24 there was a loss of £480,969, *exclusive of depreciation.* The italics are mine, for in 1923 the fleet was transferred to a Board and at the same time it was re-valued. The capital value was reduced from £11,730,000 to £4,718,150, a loss of £7,012,446 being written off. At this time twenty-one of the thirty-two

ships owned by the Line were laid up, as this course had been found more economical than placing them in commission.

Of the £7,000,000 loss a sum of £3,677,337 was recovered by the sale of ex-enemy and other vessels to privately-operated lines. On the other hand a further sum of approximately £2,000,000 was lost on fourteen motor ships purchased from the United States. These ships had wooden hulls and were found to be unserviceable. The actual trading losses of the Commonwealth Line were approximately £3,500,000. By January 1928 the Australian Government had had enough, and it was decided to wind up the Line. The remaining seven ships, valued at £3,400,000 in 1923, were sold to the White Star Line for £1,900,000. Up to August 1932 some £800,000 of the purchase price had been paid, and on the non-payment of the 1932 instalment the Commonwealth Government exercised its right to foreclose and disposed of the vessels for £500,000. From first to last this venture into State shipping cost the Australian taxpayers some £10,000,000.

What was the cause of the failure? Let it be recorded without comment that as soon as the Commonwealth Line came into being as a State-owned concern the seamen's trade unions presented to the Government a demand for higher wages. The whole history of the Line is marked by a succession of such demands, and as well by frequent strikes, quarrels and disputes. When it was wound up impartial experts gave it as their considered opinion that the chief causes of failure were labour troubles and the tremendously high working costs arising from the demands of the trade unions. In short, the Australian trade unions did not regard the advent of a State ownership as an opportunity to give the whole-hearted idealistic service *to* the community that could never exist under private ownership. On the contrary, they welcomed it as a heaven-sent opportunity to extract as much as possible *from* the State.

At about the same time the Tasmanian Government indulged in a small-scale venture in State shipping. In 1922 it put two

ships, the *Poolta* and the *Melbourne*, into service between Tasmania and Australia. In three years operating losses totalled £200,000; in March 1925, the steamers were sold to private enterprise, in the form of the Union Steamship Company of New Zealand. An experiment by New South Wales with State-owned trawlers was no more successful. The final accounts, after they had been sold to private owners, showed a loss of £308,000. The official Year Book of the Commonwealth for 1927 described this venture as 'not a commercial success'. It also recorded that the fishing grounds 'are being successfully exploited by private enterprise'. Again it should be recorded, without comment, that the crews of the nationalised trawlers did not consider themselves to be charged with a national responsibility of 'more fish for the people'. They only fished when the spirit moved them, and demanded of the State a rate of remuneration far higher than that asked of private trawler owners.

In 1916 the United States Government set up a 'United States Shipping Board'. It had as its main object the creation of a nationalised merchant marine. In July 1925 the *New York Evening Post* pronounced the Board to be 'one of the most expensive and utter failures ever experienced by any Government at any time'. In 1927 President Coolidge stated that the Government would never be able to operate the merchant marine economically and efficiently, and recommended the sale of the State-owned fleet to private companies. On 15 August 1928, it was announced from Washington that the Shipping Board had decided to invite bids on 15 November 1928, for the sale of a number of ships including the *Leviathan*. In May 1930, Mr. T. V. O'Connor, the Chairman of the U.S. Shipping Board, said: 'The United States Government is definitely going out of the shipping business as a ship-owner and operator. In the future the active interest it will take will be strictly along the line of promotion, regulation and support of private shipping under the American flag.'

As the Americans are a hard-headed people dealing in facts and not generally interested in doctrinaire theories, particularly those of State-ownership, the decision was not surprising. In nine years the Shipping Board spent, taking the dollar at its par value, close on £734 millions. Its total assets in July 1925 were valued at not more than £62,500,000, which meant that in these nine years the Board had lost £625 millions, sufficient, at that time, to run the whole Federal Government for a year. Prior to 1924 the working losses averaged about £10,000,000 a year. In 1926 they were £4,028,000 and in 1928 they had fallen to £3,255,000. The fall in the loss was not due to increased efficiency, but simply to the reduced size of the nationalised fleet. At the end of the 1914-18 war it consisted of 2,546 vessels totalling 14,703,000 tons. By the end of 1932 it had been reduced, by sales and ruthless scrapping, to less than 200 vessels. Allowing for sales contemplated or arranged the fleet had been reduced by the beginning of 1933 to a total of some 100 vessels, including obsolete ships laid up. It is worth noting that as in the case of Australia relations between the Shipping Board and its employees were very far from harmonious.

The Dominion of Canada's venture in nationalised shipping, though on a smaller scale than that of her neighbour, was no more happy. In 1919 the Government decided to go into the shipping business and acquired 63 vessels of various types, which were managed as the 'Canadian Government Merchant Marine Limited'. By 1921 the accounts had begun to show a deficit; this state of affairs continued year by year and by 1927 the loss had risen to £1,337,000. The Dominion's original investment in the Line was some 70 million dollars—£14,583,000, but if to this figure is added operating deficits and depreciation charges the total investment of the taxpayer up to the beginning of 1928 amounted to some 108 million dollars—£22,500,000. The results from its inception up till the end of 1931 were summarised as follows in the Annual Report:

	Dollars
Capital loss on 37 vessels disposed of	31,164,464
Capital loss on the 29 retained vessels if re-valued on present-day basis	42,224,595
Operating loss, less insurance reserve	8,044,638
Loss	81,433,697

In terms of English money this was a clear loss of approximately £16,000,000. The total loss for the year ended 31 December 1932, was about £3,200,000 at par. The experiment was then brought to a close.

The passions which imbued governments at the end of the 1914-18 war to embark upon the State-ownership of shipping attacked France as well. The French State Merchant Fleet was launched at a cost of some £57,000,000. From its beginning to its end the story was one of disastrous failure. By 1924 the total losses of the fleet were running at a steady one million francs per day. The French are a nation of realists, at any rate so far as money is concerned, and the Government decided to cut its losses and dispose of the vessels. The sale of the fleet realised approximately £13,350,000, so quite apart from the operating deficits, the French taxpayers suffered a capital loss of about £43,000,000.

Through all these experiments in nationalised shipping runs one common theme—the tendency of the trade unions to extract from the State rates of wages that had no relation to operating revenue and costs, and the readiness of the unions to take strike action to enforce their demands.

During the 1939-45 war the British Government was inevitably and unavoidably the owner and operator of a considerable number of merchant ships, but the Socialist Government, profiting perhaps by the expensive experience recorded in this chapter, showed no inclination at all to include them in their nationalisation plans, and announced at the end of 1945 that the ships were being sold to privately-owned lines.

Chapter 3

THE TESTIMONY OF THE TELEPHONE

WHEN Alexander Graham Bell invented the telephone in Boston, U.S.A., in 1875, he bestowed on mankind an instrument which has become a matchless and indispensable servant; an instrument which has contributed more to facilitate and speed up commercial and social relations than any other single factor.

Although the telephone service in Great Britain was not completely taken over by the State until 1 January 1912, it is necessary to consider the attitude of the Government towards this invention from its first installation in 1878. Briefly, the initiative and courage of a few enterprising companies who were prepared to risk their money in its development was the first contribution to the establishment of the telephone in this country. It may be pertinent to ask why the State did not step in at once and develop this new invention for the exclusive benefit of the nation, thus disdaining to allow 'the people to be exploited for private profit'. By the Telegraph Act of 1869 a monopoly was conferred on the Postmaster General in all telegraphic communications, and in the Law Courts in 1880 this was interpreted as including telephonic communications. Why then did the State not monopolise this service and encourage its use throughout the country?

The policy of the Government with regard to the development of the telephone is strongly defended by Baldwin in his *History of the Telephone in the U.K.* He said:

'It is, no doubt, true that the Bell patents were offered to and declined by the British Post Office, but such action was in no wise inconsistent with the policy of a Government Department, which has, at all times, to tread very warily when inventors and

others display wares of doubtful value and utility. . . .'

In view of his defence of Government policy it is somewhat surprising to note that later in the same book Baldwin congratulates the private companies for taking in hand this invention of 'doubtful value' and promoting its development for the benefit of the community. He says of the private companies:

'The telephone user and the telephone engineer of to-day are alike indebted to those men who, in the early eighties, laid the foundation of what is regarded at the present time as an essential feature of social, commercial and industrial intercourse, namely, the telephone system.'

The Government of the day was in fact advised by its experts to establish Post Office exchanges, but—

'regarding the matter still in the experimental stage offered to allow the Telephone Companies to work under licence subject to the payment of royalty and a restriction of the areas of communication. . . The Treasury, however, fearing the expenditure involved, authorised the establishment of telephone exchanges by the Post Office only to such limited extent as would enable the Postmaster General to negotiate with the Companies in a satisfactory manner for licences.'

The business which the State was content to leave to private enterprise to develop was subject to a royalty of 10 per cent. of its gross income. In other words, the State, 'fearing the expenditure involved' and thus not prepared to undertake the installation of telephones on a national basis, was nevertheless intent on securing a rake-off from the business it eschewed. The motive for imposing this restrictive condition was not difficult to perceive. The Government operated an extensive telegraph service throughout the country from which valuable revenues were derived, and the advent of the telephone threatened those revenues. So that, rather than encourage the development of the new, they deliberately fostered the retention of the old.

This attitude did not daunt the telephone companies who, realising the potentialities of the invention, proceeded to satisfy the public demand which became manifest at a very early date.

A further condition attached to the granting of these licences was that they were only valid for 31 years from 1880 and the State reserved the right to purchase the exchange system at the end of the tenth, seventeenth, or twenty-fourth year; which meant in effect that while private money and enterprise were left to develop the telephone the State could take over the business in the event of its proving to be successful. The State did, in fact, acquire virtually the whole of the telephone industry with effect from 1 January 1912, when it came under the control of the Post Office.

What are the achievements of the State in this field since 1912? As the telephone service is now the sole monopoly of the State how can we judge of its efficiency? What yard-stick can we use? The obvious comparison is with the telephone system in America which is run by private enterprise, subject only to general regulation by Inter-State Commerce Commissions.

The telephone industry in the United States grew to be a huge undertaking long before it became a concern of any magnitude in this country. It was unaffected by Government licence, nor did it have to pay royalties, and instead of meeting with a cold reception or even opposition it was accepted spontaneously and developed intensively under the impetus of free private enterprise. The American Telephone and Telegraph Company (known as the Bell System) owns or controls about 80 per cent. of the telephones in the United States and includes the largest laboratory in the world devoted to research in matters of communication. It also embraces the Western Electric Company which manufactures equipment and purchases supplies for all the operating companies included in the combine.

From 1925 to 1940 the Bell System paid 9 dollars a year on its stock. This dividend averaged 6½ per cent. on the stockholders' investment. If the dividends on stock and the interest

on bonds are combined, total dividends and interest during the 16 years amounted to approximately 6 per cent. per annum on total capital obligations.

In examining the Accounts of the Post Office in this country it is necessary to remember that the telephone and telegraph services are operated in close conjunction with one another and therefore the returns of these two services should be combined. The following table shows the actual profit or loss for each service separately for two typical years and also the combined result:

	Year ending 31/3/1939	*Year ending* 31/3/1940
Telephone Service		
Loans Outstanding	£217,702,101	£234,386,307
Operating Profit	£6,672,374	£7,868,142
Percentage Profit	3.06%	3.36%
Telegraph Service		
Loans Outstanding	£3,169,990	£3,089,386
Operating Loss	£883,968	£612,182
Percentage Loss	27.89%	19.82%
Combined (Telephone and Telegraph)		
Loans Outstanding	£220,872,091	£237,475,693
Operating Profit	£5,788,406	£7,255,960
Percentage Profit	2.62%	3.06%

The Bell System, operating under private enterprise, has paid its capital dividends equal to double those earned by its British counterpart under State management.

In 1940 the average weekly earnings of all Bell System employees (men and women) were £7 10s. 0d., and of the employees 60 per cent. were women and 40 per cent. men. This average of £7 10s. 0d. a week was made up of an average woman's wage of £5 and an average man's wage of £11. The normal week consists of forty hours spread equally over five days. In addition this large organisation operates a plan for employees' pensions, disability benefits and death benefits.

The Bell System freely publicises the earnings of its workers as part of its policy of keeping the public fully informed on all aspects of its business. The British Post Office states that 'the average earnings of telephone and telegraph workers in this country are not available'.

The Post Office *have* supplied a list of maximum and minimum wages for each class of telephone and telegraph worker in the year immediately preceding the outbreak of war—comparable with the year 1940 in America. The maximum weekly wages for the highest paid employees were:

	Male	*Female*
London	£5 8 0	£4 3 6
Provinces	£4 14 0	£3 10 6

These are maximum figures and will be well above the average, which at that time would probably be no higher than £4 for males and £3 for females. If the proportion of male and female workers in this country was the same as in America in 1940, *i.e.*, 40 per cent. men and 60 per cent. women, the combined average would be £3 8s. 0d. per week as compared with £7 10s. in America.

Even setting the *maxima* in this country against the *average* in America the disparity is still very wide:

	Men	*Women*	*Combined**
America (averages)	£11 0 0	£5 0 0	£7 10 0
Great Britain (maximum in London area)	£5 8 0	£4 3 6	£4 13 3

*Based on 40 per cent men and 60 per cent women.

It should be noted that the American figures relate to a 40-hour week whereas the British figures refer to a 44-hour week.

It would appear that employees of the privately-owned and managed Bell System of America enjoy substantially higher wages than do the workers of the State-owned telephone industry in this country.

A true comparison of the prices charged to the public for the installation and use of the telephone in the two countries is

extremely difficult to make because the scope and quality of the services and the basis of charging vary so much, to say nothing of the difficulties associated with the varying rates of exchange. Moreover, in view of the vast distances separating the main centres of industry, it is clear that a large proportion of telephone calls in America are over distances which have no comparison in this country. For instance, from New York to San Francisco is 3,000 miles, whereas from London to Aberdeen is only 500 miles. New York to Chicago is 1,100 miles, while London to Birmingham is 100 miles. The purchasing powers of national currencies also differ.

The foregoing factors make it impracticable to offer statistical evidence in relation to the cost of the telephone service to the users in the two countries. Nevertheless it is true that when relative wage levels are taken into consideration the American service is generally cheaper than anywhere else in the world.

There were 701,125 telephones in Great Britain in 1912 compared with 6,500,000 in America, and by 1940 the figures were 3,339,000 and 20,800,000 respectively. Not only does the United States own half of all the telephones in the world; it also has more in proportion to population than any other country. In San Francisco there is one telephone to two persons —in Washington there is one instrument to less than three persons. Compare these with, say, Birmingham, Glasgow and Liverpool, where there is one telephone per sixteen persons.

The development of the telephone in the United States since about 1900 has been little short of phenomenal, until in 1940 there was one telephone to about six of a population totalling over 130 millions. In Great Britain, with a population of about 47 millions, there is only one telephone to fourteen of the population. But these figures by no means tell the whole story. It must be remembered that Great Britain is a highly populated and compact area admirably suited by reason of its size to the economic operation of telephones. The United States, on the other hand, consists of a vast continent with many hundreds

or even thousands of miles separating its large communities—a condition which calls for the laying of millions of miles of cable and wire to secure any degree of integration of its telephone system.

Chapter 4

STATE CONTROL ON THE OPEN ROAD

WHEN the Socialist Government announced its intention of nationalising long-distance road transport the haulage operators announced that they would fight it to a finish. Mr. Barnes, as Socialist Minister of Transport, welcomed their decision, and promised them a battle with the gloves off. The operators were not long in firing their first shots, and at the end of 1945 they discharged a large-calibre, well-aimed shell in the form of a report on the operation of the Northern Ireland Transport Board. It was a document of remarkable interest because it gave a clear and comprehensive picture of a State-controlled road transport system at work.

In considering the operations of the Board and the circumstances of its inception it must be realised that the province of Ulster is of approximately the same size as the county of Yorkshire. Of its population of 1,250,000, some 475,000 are concentrated in the Belfast area and a further 47,000 in and about Londonderry. Except for the linen industry the country is largely agricultural. In 1934 there were in Northern Ireland 721 owners of 1,456 commercial vehicles engaged exclusively in the carriage of goods 'for hire and reward'. In addition there were more than 800 vehicles operated by 519 owners who corresponded to 'B' licence holders in Great Britain. There were also four railway systems carrying a considerable volume of traffic, so it will be obvious that the number of operators and vehicles was out of all proportion to the size of the country and the needs of its people. There was cut-throat, or rather cut-price, competition between operators, which had an adverse effect on the revenue of the railways. Conditions of employment were bad, and many of the vehicles were only fit for the breaker's

yard. The late Lord Stamp visited Northern Ireland to investigate the operation and finances of the L.M.S. Railway (N.I.) His report was an ultimatum to the Government, to the effect that unless something was done to protect the interests of the railways the L.M.S. would be compelled to close its services in Ulster. The Government invited another railway chief, Sir Felix Pole, to investigate and make recommendations. The plan he put forward was embodied in 'The Road and Rail Transport Act (N.I.) 1935', which created the Northern Ireland Transport Board.

Subject to certain exceptions—the Belfast Corporation transport undertaking, the road transport services of the Londonderry and Lough Swilly Railway, the local carriers in Belfast and Londonderry, taxis and some other exceptions of minor importance—the Board was given exclusive rights to operate goods and passenger vehicles for hire in Northern Ireland. Subject to the right of appeal by local bodies, traders, etc., it was given power to charge such 'reasonable' rates, fares and charges as it thought fit. An Appeal Tribunal was set up but—and it is an important but—the only grounds on which an appeal was admissible was 'unreasonableness'. It was laid down, somewhat superfluously it would seem, that the Board should provide the public with reasonable facilities. The Act precluded it from giving undue preference to any person, but this did not prevent the giving of 'reasonable preference in the matter of fares and facilities'. The interpretation placed upon these words by the first Chairman of the Board, the late Mr. D. L. Clarke, is worth recording. He said :

'It would be quite competent for the Board to give a reasonable rebate to the trader who undertook to send all his traffic by the Board's vehicles, as compared with the trader who used his own vehicles for the choice part of his traffic and the Board's vehicles for the more difficult and less profitable part.'

A private concern which laid down such a condition would surely be accused by the Socialist doctrinaires of 'monopolistic tendencies.'

There was also a provision in the Act which permitted the Board to make agreements, subject to the approval of the Government, with other operators to carry those traffics to which the Board was entitled under the Act. As will be shown, the Board not only availed itself of this right; it abused it. In regard to compensation to concerns taken over by the Board, where the compensation did not exceed £5,000 the owners were entitled to receive cash. In sums exceeding that figure the first £5,000 was paid in cash and the balance met by the issue of 5 per cent. Stock. The Board has contended that the terms of compensation were over-generous and that they constituted an initial handicap on its operations. That contention is, to some degree, justified.

By April 1938 the Board's activities had aroused much hostile criticism both from traders and the general public. Its finances were also in an unsound condition. Mr. Justice M. Thompson was appointed Commissioner to hold a public enquiry, and a report was submitted in June of that year. He found that 'the working of the transport system thus established resulted in heavy losses to both the Board and the railways and produced much public dissatisfaction and complaint'. A Committee of Enquiry was also set up under the chairmanship of an eminent accountant, Sir William McLintock, to advise on what changes might be made in the operation of the Act in order to secure on a sound economic basis an adequate and efficient transport system'. The report of the Committee was completed in November 1938. It recommended, as did the Commissioner, that in order to place the finances of the Board on a sound basis it would be necessary to implement the 'co-ordination' clause in the Act by allowing for the setting up of a committee jointly representative of the Board and the directors of the railway companies to co-ordinate the activities of road and rail transport.

In actual fact this committee never became a reality. It is suggested that rivalry between the railways and the Board was

largely responsible for the chaotic condition of the Board's finances at the outbreak of the war. This interesting fact should be noted by those who contend that State control automatically eliminates rivalry between competitive undertakings.

The evidence given before the Commissioner and the Committee was full and lengthy. The full reports can be obtained from H.M. Stationery Office, 80 Chichester Street, Belfast. The Board was sternly criticised by many of the individuals who gave evidence. This perhaps is not surprising, but it is worthy of note that in the reports of both the Commissioner and the Committee there was specifically emphasised the necessity for maintaining the existing rights of merchants and traders to use their own vehicles for the transport of their own goods in connection with their businesses. There was no suggestion that their activities should be restricted by a greater measure of State control. On 8 January 1946 the Northern Ireland Government issued a White Paper recommending a merger between the railways and the Transport Board. This White Paper re-affirmed the intention to maintain the liberties of the private trader as they exist 'at the present time.'

The prerequisites of efficiency in any road transport system are:

(1) That its rates and fares should be kept down to an economic level, *i.e.*, that they should not represent an undue burden on the trader whose goods are carried or on the travelling public.

(2) That its services should be frequent, punctual, and in the case of the carriage of perishable goods—such as agricultural produce—available at short notice.

(3) That the personnel operating the transport system should be expert in handling perishable and fragile loads, e.g. grain, potatoes, mineral waters, and furniture.

(4) That it should operate an efficient service for the return of empties and traders' containers.

(5) That its finances should be in a sound condition.

Did the Northern Ireland Transport Board satisfy any or

all of these conditions? The answer is no—not a single one of them. That is the consensus of opinion of traders and associations served by the Board. It is the opinion of such organisations as the Ulster Farmers' Union, the Association of Furniture Warehousemen and Removers, the Belfast Chamber of Commerce and Trade, the Millers' Association, the Building Materials' Association, the Potato Marketing Association and the Ulster Linen Producers' Association, and many other bodies concerned with agriculture and trade. The following specific charges were made against the operation of the Board :

(1) In any trade or industry where speed of delivery is essential the Board has failed completely to satisfy requirements, for it requires 48 hours' notice before a vehicle can be put at the disposal of a trader. Even with this notice the Board cannot be relied upon to produce the necessary transport.

(2) In trades and industries where the goods are perishable or easily damaged the Board refuses to give any guarantee of the time to be taken in conveying the goods to their destination.

(3) The Board's staff are not expert handlers of special classes of goods; for example, special classes of milled grain, where inexpert handling results in burst containers. Another example is that of furniture removal. The Board claims that it has a number of expert removal men and special vehicles, but its secretary was unable, or unwilling, to give figures. The Association's representative of furniture dealers and removers tells a story of inexpert and careless handling. The mineral water trade complains that many empty bottles are broken or not returned, while the time taken to load and off-load is much greater on the Board's vehicles.

(4) Traders complain of long delays in returning containers, and also of heavy losses. As a matter of general experience not more than 15 per cent. of the containers are returned at all, and in the case of commodities such as potatoes—where the average life of a sack is 3½ journeys—this is very serious from the trader's point of view.

(5) The Board is not equipped to deal with an emergency. A case in point occurred in June 1945. The S.S. *Devonshire* put into the Port of Belfast one evening with empty holds. It was vital that she should sail on the tide on the following evening and the Board was asked to transport a quantity of potatoes for export to England. They were unable to do so and the Ulster Potato Merchants' Association had to arrange with private traders to supply the vehicles and do the loading. The ship sailed on the tide with full holds. If it had been left to the N.I.T.B. she would have sailed empty.

(6) In many trades in Northern Ireland firms employ van-salesmen. These men must have sales ability and be of high integrity. The Board is unable to supply drivers with sales ability and they take little or no interest in their work.

(7) There is a general complaint, supported by specific evidence, that the Board is seeking to encroach on the territory that, under its Charter, is left to private traders, and that, on the instigation of the Board, considerable pressure has been brought to bear on them by the Petroleum Officer. A case is quoted of a trader operating five vehicles in connection with his own business. On application to the Petroleum Officer for a renewal of his permit he was informed that this officer considered that his business warranted only the operation of three vehicles. The trader was forced to hire two lorries from the Board, and as he had two standing idle he offered them to the Board. It promptly hired them from him for its own use, and petrol was immediately made available. Numerous cases were mentioned of traders being refused sufficient petrol, whilst when they offered their vehicles to the Board the same vehicles could be re-hired and used in the conduct of their business. The 1945 Annual Report of the Ulster Industries Development Association said that 'a major problem of Ulster manufacturers, wholesale merchants and retailers throughout 1945 was petrol restrictions for their own vehicles and dependence on over-taxed and more expensive public transport.'

The state of the Board's finances is far from satisfactory. At the outbreak of war in 1939 it was, to quote the words of its secretary, 'not by any means in a sound financial position.' During the war there was an appreciable improvement in its financial condition, owing to the great amount of work given to it by the Services and the U.S. Government. The Board admits quite frankly that it could not have undertaken this work except by a system of sub-contracting whereby the Government hired vehicles and drivers from private firms, taking a ten per cent. 'cut' out of the proceeds. The Board has not disclosed what profit it made from this piece of very private enterprise. The Report of the Public Accounts Committee for the financial year 1940-41 discloses the fact that a secret grant of £200,000 per year is made from the Imperial Treasury to the Board in order to balance the deficit on its operations.

The Board's freight rates are not very encouraging from the point of view of the private trader. In 1937 a private company charged threepence for carrying a 14-lb. package over a distance not exceeding ten miles. The Board's charge for the same package was sixpence, and by 1945 its charge had risen to elevenpence. The tonnage scale for packages over 3 cwt. in 1937 was 7s. 6d. in the case of a private company and 8s. 2d. in the case of the Board. By 1945 the Board's rate had risen to 11s. 8d. Officials of the Board have foreshadowed a further increase in rates.

The case of milk carriage is of particular interest to farmers in Britain as an example of the uneconomic rates charged by a monopoly. In Northern Ireland a vast gallonage of milk has to be carried each day from the farm to the creameries and to the ports for transport to Britain. The Ministry of Agriculture invited the Transport Board to undertake this work, but, on receiving their quotation, found that it was so high as to make the cost prohibitive. An agreement had to be entered into between the Ministry and the Board permitting private contractors to undertake this work. On this note it is perhaps fitting

to leave State control of road transport in practice in the form of the Northern Ireland Transport Board. The verdict on it of those who have to use its services is that its freight services are slow, unreliable, inadequate and expensive.

Chapter 5

IRON AND STEEL UNDER SOCIALISM

In one country only has the iron and steel industry been brought completely and permanently under State control. That country is Soviet Russia, where the industry has been nationalised for a quarter of a century. And it should be remembered that in Tsarist days Russia had a considerable—and by the standards of 1914—highly organised iron and steel industry. When this or that economic experiment in the Soviet Union produces results that are uncomfortable and unpleasant to the Socialist theorists in this country they trot out the argument: 'But Sovietism isn't Socialism and we cannot judge from what has happened in Russia because . . .' etc., etc. That argument, frankly, is specious nonsense. Sovietism *is* Socialism, in full practice, and no one is more emphatic on that point than the Soviet leaders themselves.

It is of course very difficult to get unbiassed information about what has or has not happened in Soviet Russia. The Soviet censorship is strict on resident foreign correspondents; the Soviet propaganda department handles the casual foreign visitor in a fashion calculated to produce results almost wholly favourable to the Soviet. Their reports are usually of little value; of even less value are those which portray nothing good in Russia. Fortunately there exists an unbiassed and up-to-date report on the Russian iron and steel industry. It was prepared by a delegation from a well-known trade union—The Iron and Steel Trades' Confederation—who toured the U.S.S.R. in July and August 1945. The main object of their visit was, to quote the words of their Report, 'to see as much of the iron and steel industry of the U.S.S.R. as we could in the time allowed, and to obtain such information regarding the practice and conditions

in the industry as would be of interest to our members. The great merit of this Report is that it is the work of technical experts and written without bias. During their tour they visited the main iron and steel plants of the Soviet Union, including Electro Steel, near Moscow, the world-famous Magnitogorsk, the Hammer and Sickle plant in Moscow, and Zaporozhe on the Dnieper. They had also good opportunities to enquire into workers' conditions in regard to wages, housing, canteen facilities, etc.

The Report of the trade union delegation contains a considerable amount of technical detail. It is only proper that some of it should be set down in this chapter, as it is intended to be a technical examination of a nationalised iron and steel industry—and of an industry that has been subject to unfettered and unhindered nationalisation for twenty-five years. The period of time is all-important. The report on the various plants visited may be summarised best by quotations from the original.

Electro Steel: 'It contained six electric furnaces of 4½ tons capacity erected in 1916, which had an output of 100 tons in twenty-four hours. It was similar in all respects to electric furnace plants of the same age in this country, and whilst we were able to ascertain that four men worked on each furnace, it would be difficult to assess the number engaged in the pit where uphill teeming with hot tops was in progress. The only mill in the plant was an old-fashioned 18-inch 3-high hand-rolling type.'

The delegation made some interesting observations on the quantity and type of labour employed. 'A large number of young women were employed in the mills. In the annealing department, the workers were practically all women, with one man in charge. We were surprised to be told that there were 6,000 people employed, because, judging by the number of furnaces and mills, etc., we would have considered that two-thirds the number of workers would be required on a comparable British plant.'

Magnitogorsk: 'The town is tucked away in the Ural Mountains about 1,000 miles east of Moscow. The plant consists of eight batteries of coke ovens, six blast furnaces, twenty-one open hearth furnaces, two blooming and slabbing mills, three continuous tandem mills, two mechanised plate and sheet mills, five section mills, and two nut and bolt factories. They also have very large foundries, cupola shop with electric furnace, pressing shop, machine and mould shops, and also their own farms. The plant employs 35,000 workpeople.

'A mountain of ore dominates the landscape. Tier after tier, each thirty feet high, of ore levels being worked were visible from some considerable distance. Fifty per cent. of the material was blasted and scooped up by mechanical shovels, each lifting 3½ cubic metres (or ten tons) of ore at a time ready for use in the blast furnaces immediately. The remaining 50 per cent. has to be washed free from clay, some of it passing through an excellent Dwight Lloyd sintering plant, capable of dealing with 2,400 tons in twenty-four hours. The sintering takes place at a temperature of 1,200 degrees centigrade and is operated by blast-furnace gas.

'35,000 tons of this ore are obtained in twenty-four hours by eight huge excavators working a three-shift system. The ore is loaded into 60-ton tipping wagons which are hauled by 1,000 h.p. electric locomotives. Five hundred workers are engaged in this section, 90 per cent. of whom, we understand, are Stakhanovites. . . .

'An extremely efficient concentration mill crushes, grades, and washes the ore, which is then taken to bunkers by conveyor-belt systems. Each one of the three Krupps Crushers is capable of dealing with 15,000 tons in twenty-four hours, and, simultaneously with crushing, grades the material into the various sizes, the final residue of which is sent to the sintering plant before mentioned. Sixty per cent. of the employees here are women.

'Seventy-ton tipping wagons convey the ore to the blast-furnaces, of which there are six in commission, two yielding

1,500 tons each per twenty-four hours, and four 1,600 to 1,800 tons each per twenty-four hours. Two of the furnaces were built during the war, one in 1942 and the other in 1943.

'Manning and mechanical appliances on these furnaces are similar to those existing in this country. Four of the above furnaces are of American design and two built by the Soviet management who claim that these two yield more than those of American design. It is intended to build two more blast-furnaces which, upon completion, should bring the output of iron for the complete plant up to 16,000 tons per twenty-four hours. The iron is tapped off into 75-ton metal ladles, and taken direct to the melting shop.

'A huge building encloses the larger portion of the blast-furnaces and enables the work-people to be protected from the weather. Ventilation is so good and the roof so high, that it actually felt cooler around the furnace than it would if it were open and exposed.

'We were told that there were 100 employed for each blast-furnace with five men actually engaged on each furnace.

'The only coal consumed as a raw material goes to the coke ovens, where a vast dump with overhead grabs deals with the huge stock extremely expeditiously. Conveyor-belt systems distribute the coal to the various batteries of ovens which are of the Simon-Carves type and therefore need little description to British steel workers. Eight batteries are in operation, four with sixty-five ovens each and four with sixty-nine ovens each. The average ovens pushed, it was stated, were thirty-four per eight-hour shift, per battery. Two new batteries are in the process of erection and when these are completed, it is anticipated that the output of coke will be 16,000 tons per twenty-four hours from the whole of the batteries.

'Coal is brought from the Kuznitz Basin, a distance of 1,000 miles. A steel works at Kuznitsky is supplied with ore from Magnitogorsk in the wagons which, on the return route, bring the coal from Kuznitsky.

'We next passed into one of the two large melting shops containing six stationary furnaces of 350 tons capacity each, and seven stationary furnaces of 190 tons capacity each. Furnaces were of Venturi design with the usual water-cooled blocks, jambs and doors, and differed little from our own furnaces in appearance, except, of course, in size. The fuel was blastfurnace and coke-oven gas used in conjunction with tar, the average life of each furnace being a little over three months. The latest types of instruments were well in evidence and the furnaces reverse themselves automatically on chequer temperatures, voluntary reversing, of course, being possible when necessary. . . .

'Steel is tapped from each 350-ton furnace down to a launder with a twin opening at the mouth, and cast into two 200-ton ladles, each of a height of 4½ metres, which are carried above the moulds by a 260-ton crane, there being six of these cranes in the pit side. Difficulty exists in ensuring a similar quantity of steel being tapped into each ladle. At the tap witnessed by the delegation, there must have been a difference of 30 tons between the two ladles. . . .

'Monthly outputs are claimed to be 10,000 to 12,000 tons for the 190-ton furnaces, and 16,000 to 20,000 tons for the 350-ton furnaces. The plant works seven days a week, repairs being effected to the furnaces as and when necessary. Five men are attached to each 350-ton furnace, and four men to each 190-ton furnace, but there is much communal working as the men appear to leave their own furnace during the melting period to assist on others, whatever may be the need.

'One foremaster is in charge of every four furnaces and acts as sample passer. A fettling machine on the plant did not appear to be too efficient, most of the fettling being done by hand. No mixer was needed, owing to the excellent quality of the blastfurnace iron, the capacity of this shop, plus another one of similar capacity, being sufficient to absorb the iron as it was tapped from the blastfurnaces. . . ."

In contrast to the modernity of the blooming plate and fine strip mills the delegation made the following observations on the nut and bolt section.

'Some eight or nine machines were in operation forging bolts by the hot method. These machines were a very old type of press, staving the pin with the first blow, adjusting the gauge or dolly, and then finishing the head with the second blow. By modern standards this method is very cumbersome and slow. The process for heating the pins was the very ancient rotating fire (the beehive) fuelled by coke-oven gas and oil. Each hole in the heating plate held two pins, which were put in together and pulled out together. Bolts in production at the time of the visit were 4-in. × $\frac{5}{8}$-in. (hex. heads), 3$\frac{1}{2}$-in. or 4-in. × $\frac{3}{4}$-in. (hex.) and 3-in. × $\frac{7}{8}$-in. (snap or cup heads).

'The director explained that the usual production was 20 cwt. per eight-hour shift, but later admitted that this was a peak figure and that the average was considerably lower. The presses are all operated by women and the heating is done by young girls.

'Three nut machines (hot) were being operated, with one standing idle. They were all of American make (National), the latest type. These machines are operated by men, and, according to the shop headman (foreman) the average production of $\frac{7}{8}$-in. hex. nuts is 900 kilogrammes (16.4 cwt. approx.) in eight hours.

'Practically all the machines engaged on screwing, tapping, and thread rolling were of British make. Cold header bolts, 2$\frac{1}{2}$-in. and 2$\frac{1}{4}$-in. × $\frac{3}{8}$-in. hex., were being thread rolled, and the director claimed that the output per eight-hour shift was 1 ton.

'Tapping machines, six spindles and hand fed, were in operation, the output average being 750 kilogrammes (13.6 cwt. approx.) in eight hours for $\frac{7}{8}$-in. hex. nuts. One automatic tapper $\frac{5}{8}$-in. hex. nuts, has an average production of 700 kilogrammes (12.6 cwt. approx.) per shift of eight hours.

'Output figures for the screwing machines were not to hand,

but the machines were all British make, hand fed, and with a girl to assist the operator (nutter).

'There were several calibrating machines, British make, in operation. Calibrating is a process for reducing a rough bar to an exact size.'

Of other sections of this huge plant it reported:

'Wire rope making is carried on in a fairly large way in this plant, British machinery (Morton and Robertson machines) being the chief mediums of production.

'In general, the machinery is very old and this plant appeared to be just working itself out. Despite this, however, great care appears to have been taken to ensure the best possible conditions for the workers. This is probably best described by explaining that the forging department is cooler inside than outside. The roof of the whole structure is very high compared with most of the plants in Britain. Blowers (about 14-ft. to 16-ft. from floor level) keep up a constant supply of cold air. The different departments were quite clean and orderly, making conditions pleasant for the bolt and nut industry.

'The quality of the hot-forged bolts and nuts appeared to be much below the British standard, but as the chief engineer pointed out, they do not produce for export.

'A second and larger plant is in course of construction and, by its general appearance, gives promise of being a very large one, and the director assured us that this was correct. On the hot forging side machines were very few.'

The conclusion of the delegation on Magnitogorsk was that if the proposed alterations and improvements were carried out it would be within the next year or two 'one of the foremost plants in Europe if not in the world.'

Hammer and Sickle Plant Moscow: We had the impression the works was one that was not at first to be included in our tour on being told by our Russian friends that there was no steel plant in Moscow. It was only after our insistence that we knew there was or used to be a tinplate works in the Moscow area

that we were taken there. Originally it was a small plant built sixty years ago, but has since been extended and added to, and no doubt a considerable amount of reconstruction has taken place over the years. . . .

'Although these works are old, alterations have certainly made the melting shop comparatively modern. So much importance is attached to taking the slag from the middle door while the charge is being worked, that a very large receptacle is placed in position to receive this slag as it is not practicable to place the ladle underneath the stage, as is the practice at Magnitogorsk.

'In the mills ingots of 15 cwt. were rolled down from a furnace, similar to a reheating furnace, by men with bars ; the ingot was pushed out from the back of the furnace by a ram, it then travelled on roller gear to a 30-in. blooming mill. There were two stands by the side of the blooming mill which were idle at the time, and no doubt could roll small sections and bars. The billet then left the blooming mill and was taken on rollers to an 18-in. three-high mill, which could roll down to $\frac{3}{4}$-in. rounds. No mechanised appliances were used in this mill.

'Women were employed on the hooks, and men on the roughing and catching; the mill consisted of three three-high stands and a two-high finishing.

'In the wire mill more than 50 per cent. of the work-people are women. It should be stated, however, at this point when we commented to the management and trade union officials who accompanied us, on the high percentage of women employed in this hot department, we were informed that the war was mainly responsible for this situation, and that in normal times the percentage of women engaged in industry would be much lower, and they would be mainly employed in the light engineering industry.

'In 1912 a tinplate plant of twelve mills was added to the steel works; eleven of these mills are actually operating at the moment but there is no tinplate produced.

'This plant would be comparable to our old tinplate plants, with mills ranging from 30-in. to 26-in. wide producing sheets, 6 cross down to 2 cross.

'The sheets we saw rolled were about 56-in. by 20-in., and were worked in doubles and threes. There were seven workers in the mill crew. We saw girls behinding and they were also doing the work of a screw boy. The heaviest bar we saw rolled was about 15-lb. per foot, this light section made behinding possible for these young women. Bars were heated by gas in a Costello furnace with a conveyor carrying the bars to the roller from the furnace. Water was used on the roughing rollers when bars were being rolled—this made the job very unpleasant.

'There was very little spit and polish about the mills, but a very good sheet was turned out and the total production was somewhere in the region of 3,000 tons per month, or about 4 tons per shift per mill.'

The delegation commented that 'we would have nothing to fear from the competition of these mills', but we were told that under the industrial reorganisation scheme the mills were No. 1 on the list to be scrapped and to be substituted by mechanised rolling. The Zaporozhe plant, which was described as 'a first-class modern steel works that took five years to build and only completed in 1934' had been completely destroyed in the war.

The general conclusions of the delegation may be summarised as follows:

(1) That after twenty-five years of nationalisation the Russian iron and steel industry still has in use a considerable quantity of old plant that would be regarded as obsolete by British standards.

(2) That in plants like Magnitogorsk first-class modern equipment, much of it of British and American manufacture, is in use.

(3) That large numbers of women are employed on work that in Britain would be performed by men.

(4) That welfare facilities in the industry are far below the British standard.

(5) That generally speaking the quality of the products of the Russian plants is below—and in no cases superior to—the British standard.

(6) That working conditions were below those in Britain. To quote the Report: 'The standard of living of the Russian iron and steel worker, apart from war scarcities, is without doubt considerably lower than ours.'

The Report concluded with a summary of general impressions from which the following passage is taken:

'One strong impression, however, which was gathered by every member of the delegation is that the workers in Russia have a long way to go before they reach anything like the standard of living existing here in Britain. Bearing in mind the conditions that existed in Tsarsist days, this should not need stating but for the unbalanced picture we have been given, and the extravagant claims made for Soviet achievements during the last fifteen years, mainly by people who went there less to see what had actually been done than to prove to the world that the system in Russia was an outstanding success.

'Regarding the iron and steel trade, some of the equipment is antiquated and some is modern. The practice of steel-making is quite up to date, but nothing that is in advance of our own. The workers are quite competent in their handling of the tools and the processes, and are as apt with them as our workers are.

'There has been a terrific drive, and this will be intensified in future, to develop a highly industrialised State. So much emphasis is placed on this, that every girl seems to want to be an engineer. Yet in spite of this keenness, little importance is attached to the care of the machine. Proper maintenance is something that not only the workmen but those higher up seem to regard as of little consequence. The idea seems to be to do just what is necessary to keep the wheels running; the rest doesn't matter much. Wherever one turned, this could be seen. The proverb that 'a stitch in time save nine' has very little currency among the Russians. A few more slogans about the

care of the machine and a few less about the virtues of their leaders would not do the Soviet people any harm. In spite of all the propaganda drives, the stories of fabulous increases in production and the claims of the Stakhanovite records, we believe the output per man hour is considerably lower than with us '

The South African iron and steel industry is often cited as a shining example of successful nationalisation. What are the facts?

The Pretorian Iron Mines Company was founded in 1917 with a capital of £25,000. In 1920 authority was given to increase the capital to £1,500,000, but by 1922 the money had not been raised, so the Government took an option on its assets.

The South African Iron and Steel Industrial Corporation Ltd., generally referred to as Iscor, was formed in 1928. Under the terms of the Iron and Steel Industry Act of that year the Corporation, the South African Railways and the Harbours Administration were required to enter into a ten year agreement for the supply of their iron and steel requirements from the Iscor plant. The Corporation also made an agreement with the South African subsidiaries of two British firms—Baldwins Ltd. and John Lysaght Ltd.—for the supply of iron and the marketing of its finished sheets.

On 30 June, 1945, the subsidiary and associated companies in which Iscor was interested were:

The Union Steel Corporation (of South Africa), Limited.
Steel Sales Company of Africa (Pty.), Limited.
Pretoria Steel Construction Company (Pty.), Limited.
Fowler Tarspraying Company, Limited.
African Metals Corporation, Limited.
National Chemical Products, Limited.
Iscor Housing Utility Company.
Iscor Utility Stores (Pty.), Limited.
Vanderbijl Engineering Corporation, Limited.
Vanderbijl Park Estate Company.

Of these enterprises the Union Steel Corporation is the most

important. In it Iscor owns the controlling interest and has a substantial interest in the African Metals Corporation and the Vanderbijl Engineering Corporation, owns the whole of the share capital in the Pretoria Steel Construction Company and the Fowler Tarspraying Company, but only a small shareholding in National Chemical Products. The Union Government in its turn owns most of the shareholding of Iscor.

The following extracts from the Report of the Chairman of the Corporation, Dr. H. J. Van der Bijl, presented on 28 November 1945 give a picture of the extent of its activities:

'I would like to turn to the results of our operations for the year ended 30 June, 1945. You have before you the Report of the Directors, together with Balance Sheet as at that date, and the Profit and Loss Account for that year.

'The balance from Manufacturing and Trading Account (which, for convenience, I shall refer as to "Manufacturing Profit") for the year under review was £1,435,972, an increase of £301,712 compared with the previous year. This increase is due to the additional output of steel products resulting from the virtual completion of our wartime plant extension scheme and the bringing into production of all the principal units of the new plant. . . .

'To the Manufacturing Profit of £1,435,972 has to be added £86,528 in respect of dividends and interest received and other sundry revenue making a total of £1,522,500

Deducting therefrom:

(*a*) General expenses, including Administration and other Overhead Charges	£43,239	
(*b*) Debenture Interest	75,000	
(*c*) Debenture Redemption Reserve	24,160	
(*d*) Interest on Loans and Overdraft	50,869	
(*e*) Provision for Taxation	225,000	
		418,268
we get a net profit for the year of		£1,104,232

'To the net profit of £1,104,232 has to be added the balance of £63,316 brought forward from the previous year, together with an amount of £13,140 representing the profit on the realisation of certain investments, which gives us a total of £1,180,688 available for appropriation.

'Out of this amount your Directors have:

(*a*) made provision for Additions and Improvements to plant and properties to the extent of	£341,019
(*b*) placed to General Reserve an amount of	100,000
(*c*) declared on the " A " and " B " Shares an interim dividend of 3% and a final dividend of 3%, making 6% for the year, and amounting to	624,000
which leaves a balance to be carried forward to the next financial year of	115,669
	£1,180,688

. . . At the time of the outbreak of war in 1939, although Iscor Works had then only been in production for about five years, Iscor had demonstrated that large scale production of iron and steel in South Africa was an economic proposition without the price of steel being increased, had commenced the payment of dividends and had been able to consolidate its financial position. It will be recollected that it was not until about the middle of 1940 that the influences of the war made themselves felt on our economic system; and for the three years ended 30 June 1940 Iscor had an average Manufacturing Profit of approximately £1,200,000 per annum from a Works with an average steel ingot production of about 340,000 tons per annum. This is what one might refer to as Iscor's " pre-war standard"

. . . .

'During the year under review, Iscor's steel production (*i.e.* ingot production plus molten steel diverted to the manufacture of bombs) amounted to 518,230 tons, an increase of 52,014 tons as compared with the preceding year. The progressive

development of steel output, as our plant extensions were brought into production, is reflected in the following table:

Year Ended	*Steel Production Tons*
30 June, 1942	326,154
„ 1943	377,300
„ 1944	466,216
„ 1945	518,230

The nominal output capacity for which we planned from our extended Works was 600,000 tons per annum. . . .

'As a result of operating experience with our extended plant, we have also found that, whilst the planned output will be obtainable under optimum conditions, it cannot be maintained as an average after allowing for periods of restricted output due to furnace relining, plant overhauls, etc. These several factors, in combination, mean that for the time being our average total steel output will fall short, by about 10%, of the nominal output capacity.'

It is quite evident from reading this Report that although the Union Government may be the major shareholder in Iscor it is in no sense a nationalised concern, at any rate in the sense that the word 'nationalised' is used in Britain. Take, for example, the following extracts from the Report:

'Iscor undertook on behalf of the Government to design and construct, operate and maintain certain plants for the production of munitions and other war equipment. These war plants, or "Annexe Factories" as they are called, included *inter alia*, a Bomb Foundry, a Heat-treatment plant equipped to handle gun barrels up to 23 feet in length, and an armour plate treating, proofing and profile cutting plant. The arrangements regarding these war plants were governed by an Agreement between Iscor and the Government, the underlying principles of which were that these plants would belong to the Government and that Iscor would carry out the construction and operation of these plants at "cost"; in other words, the Government refunded to

Iscor the capital expenditure and the operating costs involved and Iscor did not seek to make any profit out of its services to the Government in this respect. . . .

'Speaking for Iscor, I would like to say quite unequivocably that we are entirely in favour of the complete withdrawal of all wartime controls at the earliest possible moment.'

That is hardly the voice of the Chairman of a nationalised industry! Nor is:

'There is one item of wartime cost, forming part of our unrecovered increased costs, which we do resent, and that is the cost incurred in the guarding of Iscor's Mines and Works. Iscor's expenditure in this respect—representing mainly wages paid to the special police staff—amounted to over £440,000. We have always contended that the guarding of key industries, to whatever extent was considered necessary, was a service which should have been supplied at the Government's expense, either by the Military or Police Authorities, and should not have been a charge against any individual person, firm or company'.

The relationship between the South African Government and Iscor would appear to be very similar to the relationship between the British Government and the Anglo-Iranian Oil Company. Not even the most passionate advocate of State control would claim that the Anglo-Iranian concern was 'nationalised'.

When Dr. Van der Bijl visited Britain in August, 1946, he gave an interview to the Press. Speaking of the South African steel industry he said:

'You must understand our steel industry is not nationalised.' The operative word is '*not*.' This would seem to remove all possible doubt.

Chapter 6

SHOULD THE STATE OWN THE LAND?

WHILE the Labour Party did not include State ownership of land in its programme at the 1945 General Election, and while the Labour Government has given no indication of its intention to nationalise the land, it should be remembered that it remains a plank in the Labour Party programme and, indeed, in the platform of the Communist Party as well.

In its pamphlet, 'Our Land—The Future of British Agriculture', the Labour Party declared that public ownership would afford 'the best, if not the only way, of securing the adequate equipment of land in the interests of good husbandry, and that it would afford the best security and scope for enterprise to good cultivators.'

The qualification 'the best, if not the only way' suggests some doubts about the wisdom of the policy. But the doctrinaire Socialists still have their way, and thorough-going nationalisation remains the official policy of the Labour Party confirmed afresh at its Party Conference in 1945.

Their proposal is that:

'A General Enabling Act should be passed giving the State power to acquire all agricultural land and laying down the basis of compensation to the owners. The Minister would then be empowered to issue orders specifying the date for the acquisition of particular areas as and when decided by him. The valuation of agricultural land should be reasonably straightforward. Already the State makes a quinquennial valuation for the purpose of income tax based upon the rent at which the holding is let, or the estimated rent in the case of the owner-occupier. From this figure deductions are made in respect of

maintenance and fixed outgoings paid by the landlords. The resulting net figure represents the real value of the holding to the owner and is therefore a reasonable basis of compensation for the State. Special provision could be made to meet cases of exceptional hardship. The owners of land acquired by the State would receive in exchange special land stock of appropriate amounts with a fixed rate of interest, with the State retaining the option to redeem such stock after a period of years.'

The Communist Party have revised their ideas on land nationalisation. They now claim to be part of the Labour Movement and to have no aims and ambitions separate from it. Yet on this question of land nationalisation Communist policy conflicts with Socialist policy. The Communists must be given the credit for being more realistic. They propose to exclude from State ownership the farms of owner-occupiers; that means 40 per cent. of all the farms in the country.

In considering this question of nationalisation we should not allow ourselves to be influenced by sentiment or party politics. The proper measuring-stick of land nationalisation is not whether it satisfies a particular propaganda cry, whether it is in a particular party political programme—and so whether it can be used by that party to get its own back on a section of the community it dislikes—but whether it will lead to greater efficiency, higher output, lower costs, and better conditions for those engaged in the industry.

Five general claims are usually put forward to support the case for nationalisation. They are:

1. It would make it possible for the nation to restore the capital equipment of the land. Thousands of miles of fencing, water laid on to every field, new buildings and stockyards are needed at a cost of several hundred million pounds.

2. National ownership would make it possible to plan the proper use of the land in the interest of the community. The landlord could not 'hold the community up to ransom for private profit' and speculation would be ended.

3. Land nationalisation would facilitate the rapid adjustment of farm boundaries to meet the requirements of modern farming.

4. The programme for the development of agriculture could be applied whole-heartedly without fear that the benefits it would bring to farmers and farm workers would sooner or later be passed on to the landlords in the form of higher rents.

5. Land nationalisation would end the power which the landlords now possess and the influence which they exert on the nation's life and economic and political policy.

That is the case that has been put *ad nauseam* by the Socialist press and by Socialist speakers and pamphleteers. Let us examine these claims.

First, the restoration of capital equipment. Would the Treasury freely put millions of money into wholesale rebuilding and re-equipping of farms? Not less than £300 millions, and probably much more, would be needed. This would be in addition to the vast sum of money required to buy up the land from its present owners, for not even the Communist Party advocates confiscation. All past experience shows that the Treasury hates spending money on agriculture.

Supposing an urban-minded Government like the present one did decide to spend millions of the taxpayers' money in this way, and increase taxation or the National Debt to provide it, is there any guarantee the money would be well spent? None at all. There is every likelihood it would be badly spent. For this reason:

An experienced landlord knows the needs of his land and his tenants. A Government official from Whitehall, working to regulations, would not and could not know. No two farms are alike. No two tenants are alike. You can't make them conform to Schedule of Development X/Y/Z/13/05 or Buff Form BF/A/B/46. The land doesn't work that way. You can't manage land by regulations—and you can't manage land off an ordnance map in a Whitehall office.

Under private landlords repairs to property are usually carried out with expedition. If a gale blows some slates off the barn the tenant telephones the landowner or his agent, the estate carpenter comes down and the job is done. It will be very different if the State is the landlord. The tenant will have to report the damage, always in writing, to some central office. He will then be required to fill in forms. At some future date a very overworked civil servant will come down to inspect the damage, and some time after that the Office of Works or a contractor in Government employ will come down to do the repairs.

Next there is the question of planning the land. Nationalisation is not necessary to plan the proper use of land. There are many much less drastic ways of doing it. The Statute Book is already bulging with laws giving the Government power to acquire land for building, to preserve land for agricultural use, to regulate the powers of Catchment Boards, while the Minister of Agriculture has wide powers to enforce good husbandry. Compensation and betterment values are brought fully into account. If these powers are inadequate they can be strengthened.

Incidentally is there so much land that is not being properly used? Are the landowners 'holding the community to ransom?'

Thirdly there is the vexed question of the adjustment of farm boundaries. It is argued that if the State owned the land it would be a simple matter to separate fields and establish more economic farm units. It might be—with a blue pencil and a ruler on a map in Whitehall, but not anywhere else. You can find in every district a few farms where the lay-out is inconvenient and where things would be better for an adjustment of boundaries.

There is, however, good reason to believe that the disturbance involved would outweigh the advantages gained, but in point of fact the alteration of farm boundaries is continually taking place through the normal process of buying and selling. The estate maps of 1946 are incomparably different from those of

thirty or fifty years ago. In the counties of Lincolnshire and Norfolk it might be possible to achieve the big units so dear to the hearts of the Socialist planners, but how could this be done in say, the West Country, with the hill farms of Westmorland or in Scotland?

Two-thirds of the farms in Britain are family holdings of less than 100 acres in size and the small farms are often highly efficient. The 80-acre dairy farm is a quite practical economic unit, and experience has proved that in stock-farming the big units are not satisfactory as the stock does not get individual attention.

The Socialist planners turn a blind eye to the high output per acre in Britain as compared with Canada, and to the quality of our stock compared with that of the Middle West or the Argentine. They also choose to forget that it was the small dairy farmers and not the State who have raised milk production in such an amazing fashion since 1939.

The fourth argument in favour of land nationalisation is that it would prevent the benefits which farmers and farm-workers would reap under a progressive agricultural policy from going to the landlords in higher rents.

That is perfectly true, but why should the landlords, of the three parties in agriculture, be excluded from benefits because they happen to own the land? Further, is there anything evil in a fair rental which goes back into the improvement of the property?

The advocates of nationalisation also seem to forget that if the State were the landlord the Treasury would demand the largest possible share of the proceeds to recoup its expenditure and meet the interest on the Land Bonds. In fact the aim of the Treasury would be to take the maximum out of the land and put the minimum in; it would be failing in its duty as a Treasury if it did otherwise.

Lastly there is the 'power' of the landlords. This is the real basis of the Socialist demand for nationalisation. The landlords

are supposed to have some sinister evil power over the political, social and economic life of the country.

The truth of the matter is that the dictatorial power of landlords over their tenants disappeared years ago, and it exists only in the imagination of politicians and propagandists who don't know the country or the independent ways of country people.

There is one important point on this question of the alleged power of the landlords. The law of landlord and tenant as it stands at present is very heavily in favour of the tenant. If the State owned the land it is inevitable that the law would be weighted against the tenant.

There is another very important point. Of late the Socialists have been making a loud complaint about 'tied cottages,' but what would happen to the farm-houses and cottages with the State as the only landlord? The answer is that every cottage and house in the countryside would be tied as it has never been tied before, tied with miles of red tape to the chariot wheels of the State.

The truth of the matter is that the case for nationalisation of the land is founded on a great illusion, the illusion that landlords are grasping, incompetent, inefficient and neglectful. The propagandists who spread this illusion did not read history and are not aware of the immense service given to agriculture and the nation by the great landlords of the past. They also forget about the drain of death duties when they criticise the failure of landlords to spend more on their property. When Lord Harcourt brought in the death duties Queen Victoria wrote him a letter containing the following passage:

'The Queen is much concerned about the provisions made in the Budget regarding the death duties, which in her opinion cannot fail to cripple all landowners. Many properties are now only kept afloat at considerable loss to the proprietors, who, if the Budget becomes law, may be driven to still further curtail their expenditure. This must inevitably affect the poorer

classes, especially the agricultural community. Then again country seats will be unoccupied, and charities throughout the country docked of support. Where again will be the inducement to owners of property to effect improvements, when by so doing they know they are only encumbering their successors?'

The enemies of the landlords also forget that in hard times many landlords remitted a part or the whole of their tenants' rents.

There are, it is true, bad landlords. They should be shown no mercy, but it is not necessary to nationalise the land to deal with them.

The majority of the advocates of land nationalisation are not countrymen, have no practical farming experience, and do not understand the countryman's way of life. They do not seem to understand the pride and joy the ownership of land gives to a man.

Sir William Beach Thomas, speaking of an 80-acre farmer in the West Country, said:

'Such men, with their native skill in such crafts as grafting, in the management of machinery, in the arts of planting and pruning, are in the true tradition of the mediaeval craftsman. It is important that the agricultural labourer should be enabled to earn a good wage by reaching a high man-hour ideal; but it is much better to multiply farmers than to multiply landless labourers, and this can only be done by intensive work on comparatively small farms. The yeoman may still be the backbone of England. To recommend his extinction is a sort of high treason.'

There is one more point; 40 per cent. of the farmers in England are owner-occupiers. If the agricultural land was nationalised, would their land be taken from them and become the property of the State? The Labour Party is not specific on this point. The Communist Party gets a little nearer to realism and says that they should be left out of the nationalisation plan. But that would mean complete chaos. It would be impossible in

practice to have the State owning one farm and the private owner the next. The Whitehall Blue Print would look like something out of Itma.

Chapter 7

STATE CONTROL ON THE RAILWAY

RAILWAYS appear to have a fatal fascination for governments embarking upon ventures in State control, and in the case of almost every country where railway nationalisation has been carried out this fascination has proved to be extremely expensive for the taxpayer. In fact, over a long period of years State-owned railway systems have been engaged in a close race not for speed records but to see which system could lose the taxpayers' money at the highest possible speed. At one time, in 1934, the Swiss Federal Railways were losing money at the rate of £7 per minute. In 1927 the Queensland State Railways managed to reach a rate of £3 13s. 4d. per minute.

One of the most extensive, and expensive, ventures to date is that of the Canadian National Railways. On 2 May 1935, the *Daily Herald*, not so coy and reticent then as it is to-day about the actual results of nationalisation, stated that between 1919 and 1933 the Canadian National Railways made net losses and expended capital to a total of £282 millions, making the aggregate cost of the system to the public about £550 millions. Labour's only daily said: 'A big expense to the public account is an annual loss incurred by the State-owned railways in competing with the Canadian Pacific Railway, a privately-owned concern. The Budget recently submitted by the Ministry of Finance showed that Canadian National Railway deficits have been responsible for no less than £44,800,000 of the £134,000,000 increase in Canadian national debt piled up during the last five years'. The same paper disclosed that the figure of £550 millions was reached 'despite the entire writing off of the old Grand Trunk Preference and Ordinary Stock, without compensation to the previous owners.'

To quote one or two milestones on the road, the net income deficit for the year ended 31 December 1926 was £5,676,000. The following year it was £7,161,000, and the total debit balance carried to the consolidated balance sheet at the end of 1927 was £92,481,000. In the course of his Budget speech in 1931 the Canadian Prime Minister stated that the aggregate loss on the railways was £71,193,000, of which £17,605,000 was a deficit in actual operating revenues and £52,057,000 on account of unpaid interest on sums advanced by the Government.

The Annual Report of the Canadian National Railway for the year 1932 showed that the average *annual* deficit for the past ten years had been about £4,426,000. In March 1933, Sir Charles Gordon, the President of the Bank of Montreal, said that the State-owned railways were costing the people of Canada about £1,000,000 a month in interest on bonds in private hands and about the same amount in interest on Dominion Debt. The net cash deficit between the years 1936 and 1940 amounted to over £39,000,000. For 1941 and 1942, when a heavy war traffic was being carried, there was a net cash credit of approximately £6,000,000.

On 20 November 1931, a Royal Commission on Railways and Transportation was appointed, and its report was published in September 1932. Points from the report were:

'(i) The cost of construction of branch lines by the Canadian National Railway averaged 15,867 dollars (about £3,133) per mile higher than the cost of the Canadian Pacific Railway for the like purposes and in similar territory.

'(ii) The Canadian National's attempt to compete with the Canadian Pacific Railway in coastal steamship services on the Pacific Coast had to be abandoned after a capital investment of 8,000,000 dollars (about £1,600,000 at par) and heavy operating losses had been incurred.

'(iii) The long-term debt of the Canadian National Railways in December 1931 amounted to 2,669,926,371 dollars (about £540,000,000 at par), of which the Government's investment,

including unpaid interest, was 1,393,469,164 dollars (about £274,700,000 at par).

'(iv) In the nine-year period, 1923-1931, the net operating income only averaged 24,414,417 dollars (about £4,880,000 at par), without adequate provision for depreciation. The Commission expressed the opinion that a very substantial part of the money invested in the National System must be regarded as lost and that the capital liabilities should sooner or later be heavily written down.

'(v) When considering the scale upon which branch-line extensions and acquisitions, as well as hotel expenditures, were made, it is impossible to avoid the conclusion that the Board of Directors and the Management of National Railways were amenable to political influence and pressure which it would have been in the public interest to have withstood.'

In concluding its report the Commission gave the following warning:

'We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the Federal Treasury but improve the financial position of the privately owned railway, then the only courses that would be left would be either to effect savings in national expenditures in other directions, or to add still further to the burdens under which the industries of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses . . . the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened, with serious consequences to the people of Canada and to those who have invested their savings in that railway.'

The recommendations of the Commission were adopted and Parliament replaced the directorate of the National Railways

by three trustees empowered to act independently of the Government, Parliament and the security holders. In 1943 the Canadian National Railways were operating 21,772 miles of track and the Canadian Pacific Railway 17,038 miles. The capital of the State-owned railways was £410,165,000 and that of the Canadian Pacific Railway £192,908,800. There is an important proviso regarding the capital of the Canadian National Railways. In 1936 it amounted to £622,360,000. On 1 January 1937 it was 'revised' under the Canadian National Railway Capital Revision Act and was shown that year at £399,359,000. Presumably, some £223 millions of public money was written off in compliance with the suggestion of the Royal Commission, but between 1937 and 1943 there was a capital increase of some £11,000,000. Even with the 1937 'revision' of capital—Canadian taxpayers might with justification call it something else—there is a striking difference in the amount of working capital per mile of track as between the State and private-owned systems. For the Canadian National Railways it was £18,800 per mile in 1943; for the privately-owned Canadian Pacific Railway it was £11,900.

Like other railway systems the C.N.R. benefited from the huge increase in wartime traffic revenue. The results of working in 1942 showed a surplus of $25,000,000. In 1943 the surplus amounted to $35,639,000, in 1944 to just over $23,000,000, and in 1945 to $25,000,000, i.e., £5,620,000. It is perhaps not without significance that losses have become profits since the railway system was placed under independent direction with the minimum of State interference.

The Commonwealth of Australia's State-owned railways have also been a burden on the taxpayers. The dismal story of loss piling upon loss must become wearisome to the reader, but the serious student of nationalisation is seldom encouraged with figures of profits. Early in 1932 a conference of Ministers and transport authorities was held in Australia, and its report stated that the total deficit on the nationalised railways since 1915

amounted to £81,000,000. In the ten years ending 1932 the average annual deficit was £5,600,000; the deficit for the financial year 1931-32 was over £9,000,000, of which £4,555,000 was incurred by New South Wales. Except on two occasions the Queensland railways up to 1927 had shown a loss every year for forty years. In 1927 they recorded what is known in America as 'a new high' by operating at a loss that averaged £220 per hour throughout the year.

Speaking in December 1932, the then Prime Minister of Australia, the late Mr. J. A. Lyons, said:

'In 1930-31 there were 450,000 income-tax payers in Australia. The average contribution of these taxpayers towards railway deficits was more than £23 each. In 1929-30 the total of income-tax collected by the State Governments was more than £15,000,000, of which railway deficits required 53 per cent.

Notwithstanding these contributions, the average cost of haulage in Australia was from two to three times greater than in the United States, and from two-and-a-half times to four times greater than in Canada.'

The actual losses of the State-owned railways in the Commonwealth, after deducting working expenses, interest and other charges from the gross revenue, have been as follows in more recent years:

1934-35	£1,712,000
1935-36	£1,656,000
1936-37	£811,000
1937-38	£437,000
1938-39	£2,723,000
1939-40	£1,389,000
Total	£8,728,000

In 1940-41 there was a profit of £331,000, and in 1941-42 of £3,846,000, which was not a little due to the great wartime increase in traffic. It was calculated in 1942 that the capital cost

of the State railways was £14,681 per mile, this sum taking into account amounts totalling £61,500,000 written off during the past 15 years.

The following table, compiled from the official year books of the Commonwealth and relating to the financial year 1939-40, should provide food for thought for the advocates of nationalisation:

	Commonwealth	*State*	*Private*
Working Expenses per train mile (pence)	210.93	114.00	90.65
Net Revenue per train mile (pence)	—55.09	+33.49	+48.79
Average Annual Wage	£254	£263	£272

Why have the Australian railways been such a burden on the taxpayers? In the opinion of the special conference called in 1932 the main causes of the deficits were over-capitalisation and the multiplicity of authorities controlling wages and working conditions.

The story of the New Zealand State railways can best be summarised by relating what happened in 1931. An Act was introduced, the purpose of which was to write off a sum of £10,400,000, representing accrued depreciation, losses of assets, and expenditure of loan money against which there were no tangible assets. The total railway capital at that time was £60,000,000. This, however, seems to have been purely a book-keeping transaction, for the amount written off was transferred to the public debt, and the taxpayer had still to meet the cost of the interest. The deficit on the working of the railways in the financial year 1931-32 was £1,383,000. The Budget for 1931 also included a proposal for placing the State railways under the control of a non-political Board of Directors. This was, in fact, implementing the suggestion of a Commission set up in 1930 to investigate the condition of the railways. Its report had expressed the opinion that 'the further apart the functions of

the Government of the country and the control of the railways could be separated, the better it would be for the railways.'

It is significant that during the debates on the future operations of the railways the Minister of Railways strongly supported this proposal, claiming that the transfer to independent control was a safeguard to sensible men. He declared that he had been subjected to political pressure sufficient to shake the nerves of any man, and that there was always the possibility that such pressure would become irresistible. This is, of course, one of the fundamental weaknesses in any State-controlled enterprise, and there is the ever-present danger that those responsible for its operation will be subjected to political and/or trade union pressure, designed to benefit a minority at the expense of efficiency and the taxpayer.

The following tables of figures show the results of the New Zealand railways since reorganisation. In considering these figures it should be realised that there was a great increase in traffic in the war years, with a sharp decrease in 1945.

New Zealand Railways

(Year ended 31 March)

	1938	1939	1940	1941	1942	1943	1944	1945
Net Earnings (£)	632,797	701,063	1,189,031	1,694,644	1,882,304	2,826,580	2,567,970	1,199,473
Interest Charges (£)	2,335,808	2,418,116	2,575,196	2,746,544	2,756,146	2,622,713	2,765,724	2,842,399
Percentage of Net Earnings to Average Capital Invested in Open Lines	1.15	1.23	1.96	2.64	2.90	4.31	3.71	1.69

The results for the period 1941-45 are best told by the following table giving the deficit or surplus after balancing interest charges against net revenue:

1945 deficit	£1,642,926
1944 „	£197,754
1943 surplus	£203,867
1942 deficit	£873,842
1941 „	£1,051,900

In theory a service such as the railways is, when nationalised, under the control and power of the people, serving public instead of private interests. One of the more outstanding contemporary Socialist thinkers, Bertrand Russell, holds different views. In his book *The Prospects of Industrial Civilisation*, he took State railways as an example and said:

'There would be so many intermediate stages between the primary power of the people and the executive power of the official that the official would not, in practice, be subject to any democratic control except in the rare issues that arouse strong public feeling. The effective control over an official would be that of his official superiors, the bulk of whom would aim only at an easy life, while the few with exceptional public spirit would harry and regiment the users of railways under the illusion that they were doing good. Official superiors would often be harsh to their inferiors, who would take it out on the travelling public. Under State Socialism there is no security whatever either that railway officials—except the highest—will have a tolerable life, or that railways will be run in the public interest.'

It is interesting to consider this statement by a Socialist in the light of what happened on the Belgian and Swiss railways. From 1864 until 1926 the Belgian railways were State-owned under the control of a political Minister. The railwaymen's vote was of considerable political importance, with the result that their voting power and not efficiency or public service was the measuring-stick. The result was wholesale jobbery, political

corruption—and general inefficiency. In 1926 the Belgian National Railways Company was forced to take over the State railways on a 75-years' lease. It was a self-governing body charged with the task of securing efficiency and an adequate financial return.

At the end of 1934 the Swiss Federal Railways debt stood at 3,100 million Swiss francs (£200 millions). In a remarkable article, published on 10 August 1935, the Geneva correspondent of the *Economist* described the position at that date. He said:

'The situation on the Federal Railways is catastrophic. They are losing £7 a minute; the Government is doing nothing, save issue some statements now and then to emphasise the plight of the railways, explain that the Administration Board is not responsible for it, and exhort the people to be ready for another sacrifice in order to save them. Truth to tell, petty politics have ruined the railways, as they have ruined many State undertakings: the Government is unable to impose its will on the political camarillas concerned in the railways, and to inaugurate the reorganisation plan for which the Swiss people have been waiting since last year. Meanwhile the situation grows worse every day, and constitutes a grave menace to the Federal Treasury, which one day or another is likely to have either to repay or to take over the 3,000 million Swiss francs of railway debt.'

The financial charges of the State-controlled railways were such that their accounts only balanced when the working surplus exceeded 130 million francs. Between 1903 and 1937 the accounts balanced only fourteen times. In 1936 there was a deficit of 68 million francs. Things are different to-day. Although the railways remain the property of the Swiss Confederation they have an organisation independent of political and governmental control. And the system yields a surplus.

The South African and Indian State Railways are often claimed as efficient and profitable examples of State control. They are both efficient and profitable, but they enjoy, through the wisdom of their respective governments, an independence of

management and a freedom from political interference virtually equal to that of railway companies operated by private enterprise.

Chapter 8

WORKING FOR THE STATE

ANYONE who takes the trouble to turn up the pamphlets produced by the advocates of nationalisation since the beginning of the present century will find the vision of the New Utopia depicted in various forms and colours, from the revolutionary deep red of the late A. J. Cook's *The Miners' Next Step* to the salmon pink of Mr. G. D. H. Cole's works. But there is one thing common to them all. They all depicted the workers in industry as better off under nationalisation, having more freedom than under capitalist employers, and more control over the industry in which they work.

Is this liberty to come about in actual practice? On the face of existing evidence and present tendencies most decidedly not. On the contrary, there is every indication that those employed in the nationalised, or about-to-be nationalised, industries will have not more but less freedom, less and not more power of negotiation through their trade unions, and will be subjected to a more rigid code of discipline than they have known in the past.

Before considering the signs and portents in Britain it is interesting to examine what has happened in Russia in twenty-five years of State control. The report of the most recent trade union delegation to the U.S.S.R., that of the Iron and Steel Trades Confederation in the summer of 1945, is illuminating on the relations between the trade unions—as the representatives of the workers—and the State as the employer.

The report said: 'There is in most shops what is called a Conflict Commission, which deals with any local disputes between the management and the men. We saw little evidence of branch activity in the sense we understand it'. There follow

sentences that should provide food for thought for some of our most ardent State-controllers and opponents of bonus payments for high production: 'It was plain, however, that the union officials were as much concerned about increasing production as the management. One thing that struck us was the pride shown at one works by the union officials when displaying a large banner the mill department had won for the highest output in the whole of the Soviet Union. With this banner, incidentally, went a bonus of about one week's wages.'

It is quite clear that in the State-controlled Soviet industries it is the State and the State only who is the arbiter of wages and hours. The report describes the procedure:

'The rate of a job is discussed in the first place by the trade union committee and the management. If they fail to agree, the case is referred to the Central Council of the Union, which takes it up with the director of the plant. Failing a settlement, and this would probably happen only if large numbers were involved, the All-Union Central Council of Trade Unions, the equivalent of our T.U.C., comes into the picture. They, if necessary, raise the matter with the Commissar of the industry, whose word, in the last resort, is final.'

Do the workers strike if they don't like the conditions laid down by the State? The report answers the question: 'There is no question of striking because this is illegal'. The trade union delegation went on to dot the i's and cross the t's:

'We do not think there can be any doubt that most of the local activities of the Soviet trade unions are concerned with sport, what they call culture, welfare, and social insurance. The emphasis seems to be all on these rather than on wages and conditions. We do not wish to suggest that the unions have little to do with wages, but there is nothing like the effort devoted to this question as there is with us . . .

'We believe that the unions have some independence in the pressing of wage claims and legitimately try to safeguard the interests of their members, but never to the point that would

allow them to indulge in open conflict with the management or with the State authorities.

'It is recognised that the function and activities of the trade union may differ to some extent in a Socialist State from what they are in a capitalist one, but never, in our view, to the point that seems to be accepted by the Soviet trade unions—that the workers' principal interests can safely be left to a workers' government, which must necessarily and at all times have the interests of the workers at heart. Our faith in the perfection of human beings, and particularly governments, however well intentioned, has not yet reached that dizzy height.'

As the iron and steel industry is to be nationalised the Iron and Steel Confederation are likely to find their faith put to the test.

Mr. Emanuel Shinwell, on his own statement, has been a persistent advocate of nationalisation for forty years. As Minister of Fuel and Power he had the task of applying it to the coal industry. He has also applied something else—to the miners. Not the 'mines for the miners' demanded from the lodges and the valleys for half a century, but more discipline for the miners —and an unveiled threat of political discrimination against colliery officials. Let us consider the facts.

On 11 April 1946 Mr. Shinwell announced that the industry was to be freed from the Essential Work Order, which tied miners to the pits in which they were working when the Order was imposed. They were placed instead under the Control of Engagement Order, which tied them to the industry but left them free to change from pit to pit. At first sight this would appear to give the miners greater freedom, but, and it is an important but, the right of a colliery manager to dismiss a man for misconduct was restored.

Up to 11 April the colliery managers were the executive officials of private companies, but under nationalisation they became the executive officials of the State, with the State in a position to dictate its interpretation of the word 'misconduct'. Whatever

that interpretation may prove to be, the restoration of the right to dismiss represents a tightening of the screw of discipline. And what happens to the miner dismissed by the State? Will he be blackballed in the labour market in the same way as are dismissed employees of the Post Office?

Mr. Shinwell's threat to colliery officials most certainly should be placed on permanent record. Speaking at Easington Colliery on 24 February 1946, he was reported by the *Newcastle Journal* as making the following statement:

'I am bound to say that for a mine manager to contest a seat in the Tory interest against a Labour man in a mining constituency is a first-class piece of impudence. Mine managers are excellent men in their own department and I have the highest respect for them as technicians, but when it comes to social questions they appear to know as much about them as a pig does about pianos. Anyhow they will have their hands full when the mining industry is nationalised and will have precious little time to devote to public affairs.'

Only one possible inference can be attached to this vicious and unjust statement. It is that a mine manager, to hold his job in the nationalised coal industry, will have to renounce his politics, cease to take any part in them at all, even as a private individual —or pay lip service to the political creeds of the Labour Party.

Mr. Shinwell also announced that he was discussing with the Minister of Labour what was to be done with optants—men who elected to work in the mines as an alternative to serving in the Forces—and Bevin Boys who were persistent absentees. He has said since that such persistent absentees would be drafted for service in the Forces. That, put into plain language, means that the State is taking power to say to miners in the nationalised coal industry, 'Work as we consider you should work—or into uniform you go'. Put into even plainer language this means that the penalty for absenteeism is to be the barrack square. This may prove to have a salutary effect in an industry that has

become notorious for its high rate of avoidable absenteeism, but it is compulsion with a vengeance!

It is also interesting to reflect on the wider implications of the method adopted by the Socialist Government to deal with the labour shortage in the brick industry.

On 25 April 1946 the Ministry of Labour delivered an ultimatum to former brickmakers in the Services who had refused to accept Class B release from the Services to return to their old jobs. 'Make bricks or we'll force you to' was the nature of the ultimatum, for it was stated that such brickmakers would be drafted into the brickfields as Service-men, receiving Service rates of pay, living in Service billets and receiving Service rations.

This drastic step was taken to meet a brick famine, but in the future there may be other famines of essential materials. Its effect is to tie brickmakers, in and out of uniform, to the brickfields for an indefinite period.

Let the exponents of the Nationalised New Utopia take heed, too, of a threat uttered by the Socialist Minister of Education, Miss Ellen Wilkinson, in speaking to those who are already State servants. Addressing the Annual Conference of the National Union of Teachers on 26 April 1946 she stated that when free meals were introduced in State-controlled schools it would be the duty of teachers to supervise them. This brought forth strong protests from the teachers, who contended that acting as waiters and restaurant managers was not a part of their task. Miss Wilkinson's reply to their protests was short, sharp and with a totalitarian ring about it. 'Get this clear; it is 'going to happen'. That is all. No explanation, no soft word to temper righteous wrath. Just 'it is going to happen'. That, incidentally, is exactly what Hitler said.

Summing up the Debate on the Third Reading of the Trade Disputes Bill—and let it be remembered that the repeal of the 1926 Act strengthens immensely the hand of the State as an employer—the Attorney General, Sir Hartley Shawcross, made a remark that he is likely to regret at some later stage in his

political career. He said 'We are the masters'. It is pertinent to ask whom he meant by the word 'we'.

The background of this Socialist Attorney General is that of a public school and foreign education, Chambers in the Temple, country house in Sussex, the Reform, Royal Thames, Royal Cornwall and Royal Mersey Yacht clubs. He is in fact one of the cohort of Socialist intellectuals, drawn from Eton, Winchester, Oxford, Cambridge and elsewhere, often well supplied with worldly goods, lacking for the most part any practical experience of industry or business, who seek to rule not only the Labour movement but all Britain. They aspire to a power akin to that of the Political Bureau of the Russian Communist Party, with complete authority over the trade unions. However indignant and eloquent Sir Hartley's denials may be in the future, he meant this cohort of intellectuals when he used the word 'We'—not the Labour movement or the trade unionists.

It is interesting to notice the interpretations that certain authorities have placed upon the Attorney General's declaration: 'We are the masters.' On 31 July 1946 the Salford Corporation decided by 29 votes to 17 that from that date onwards all the Corporation employees must be members of trade unions. Alderman Walter Lewis, of the Birmingham City Council, declared on 30 July 1946: 'I have no time for any employee of the Corporation who is not a trade unionist.' It had been alleged on the same day that agricultural workers employed on the City Council's farms and parks could not qualify for extra bread and cheese unless they belonged to a trade union. On 17 July 1946 the Fulham Borough Council decided by 33 Socialist votes to 5 non-Socialist that trade union membership would in future be a condition of employment for all officers and workmen of the Council. On 30 July 1946 the Dover Town Council decided by 13 Socialist votes to 6 non-Socialist that in future the Press would be banned from their committee and sub-committee meetings. During the period immediately preceding the introduction of bread rationing Members of the

Opposition parties in Parliament presented petitions in accordance with the long-established tradition of the House. On almost every occasion Socialist Members protested against the presentation of a petition. Presumably this is the Socialist interpretation of the Shawcross doctrine that a Socialist Government can do no wrong and that the people are no longer allowed the right to judge the virtues of any government policy or action.

We have been warned. So have the employees of the industries and services to be brought under State control.

There is another aspect of the question that should not be overlooked. There always is a danger that the nationalisation of services and large-scale enterprises will lead to political jobbery, and this has in fact been the experience of other countries. To put it crudely, there is liable to be a scramble for the plums of office.

Reynolds's News, which is the organ of the Co-operative movement, had a somewhat revealing leading article in its issue of 28 April 1946. Discussing the personnel of the nationalised Bank of England, the Coal Industry Board, and the possible personnel of the Iron and Steel Board, the article took objection to the appointment of such highly experienced persons as Sir Andrew Duncan, Lord Catto and Lord Hyndley. It then went on to make this remarkable statement:

'We believe a Labour Government should look elsewhere for the directing brains of nationalised industries.

'For instance, the two Co-operative Wholesale Societies have an annual turnover of more than two hundred millions. They are run by men with faith in communal enterprise and long experience in running one of the biggest businesses in the world.

'Labour should look to its Co-operative ally for some of the business brains to make a success of nationalisation.'

It again should be emphasised that these words are taken from the official mouthpiece of the Co-operative movement, and the ordinary human individual would be justified in

interpreting these words as a call from the Co-operative movement to the Labour Party, saying, in effect, 'Come on boys, give us our fair cut.'

An indication of what is in the minds of some members of the Labour Party is furnished by a Question by Mr. John R. Thomas, Labour M.P. for Dover, which was published on the Order Paper of the House of Commons of 2 May 1946. It read as follows:

'To ask the Prime Minister, whether he will consider the setting up of a panel of professional, financial, technical, administrative and labour executives known and proved to be sympathetic to the Labour Party's programme of nationalisation and State ownership; and will he consider issuing a directive to Ministers that appointments to international organisations and national boards of State-owned concerns be chiefly made from this panel.'

During the 1945 London County Council Elections, the Labour Party used a poster which bore the words: 'Labour is on the job'. This statement could, of course, be interpreted in various ways. It all depends what you mean by the word 'job'.

Chapter 9

COAL UNDER THE STATE

THE time has arrived when a note of realism should be struck in order to dissipate the cloud of maudlin sentimentality that is everlastingly spread over the industry, with very bad effect.'

And:

'Like many other theories which are also made to look so convincing on the printed page they lose much of their force when exposed to the light of practical experience.'

These passages are not taken from a speech or article by some die-hard Conservative opponent to coal nationalisation. They come from the report of the Commonwealth Board of Inquiry set up in January 1945 by the Australian Federal Government —which is a Labour Government—to examine the state of the coal industry. The Board, it should be said, decisively rejected nationalisation as the cure for the troubles of the industry.

It had before it the experience of the small number of State-owned mines in the Commonwealth. The principal State mine, opened in 1916, is at Lithgow in New South Wales. When after eleven years control was transferred to a board, a sum of £271,000, forming portion of a debt of £581,000, had to be written off. Although it was claimed that over a period of seven years profits had been earned, these results were obtained by omitting in the accounts any provision for a depreciation reserve. The report of the Board of Inquiry remarked that if this colliery had been opened with the purpose of providing coal for the Railways Department at prices below those charged by privately-owned collieries it had failed in its purpose. The railways are paying from 2s. 6d. to 2s. 9d. per ton more for coal from the State mine than from privately-owned mines. The report further

remarked that the accident rate in the State mine is higher than in the non-State mines in the same district, while progress in mechanisation has been slower.

When the late Mr. Curtin was Labour Prime Minister of Australia he stated that Australia needed 2,000,000 tons of coal more per year and said: 'I know some propose that the mines should be nationalised, but I do not believe that that would produce more coal'. In August 1945 Mr. Chifley, the present Prime Minister, addressed a conference of trade unions on the coal position, in his then capacity as Federal Treasurer. He said: 'Claims by the miners that production would be increased if the Government took over the mines were refuted by results, both at the Government-controlled Coalcliff mine and the State-owned mine at Lithgow. At Coalcliff the Government had employed an additional forty-three men and spent money on improvements. Nevertheless it had lost £22,000 while operating the mine. The history of the Lithgow mine too was sad and sorry.' That is the testimony of two Socialist Ministers.

Some play has been made by Socialist propagandists with the 'success' of State mining in New Zealand. The truth is that, according to the report of the Dominion Minister of Mines for the year ended 31 March 1944, five collieries made an aggregate loss of £109,814. Four collieries made a profit of £14,590, and three coal depots a profit of £14,830, the net loss for the year being £99,156. The State collieries produce about one-eighth of the total output of New Zealand.

One of the most interesting experiments in coal nationalisation was that carried out in Germany. It came to an end in 1924, when the mines were handed back to private ownership. In the words of Sir Richard Redmayne, formerly Chief Inspector of Mines, giving evidence before the Samuel Commission: 'This change was, no doubt, prompted by the fact that the State mines have, in the midst of a prosperous industry, not been able to show profits, but on the contrary have required considerable subsidies. . . . Apart from financial considerations the fact that

the mines run by the State have fallen behind the privately-owned mines in the matter of efficiency and technical development played a considerable part in the Government's decision.'

When the Westphalian mines were taken over by the State early in the present century profits were anticipated, but between 1903 and 1915 the taxpayers had to make good considerable losses. Subsequent years showed further losses and the project came to an end in 1924. In 1918, the Socialist Government of Germany appointed a Commission composed of responsible Socialists to examine the problem of socialising or nationalising the means of production. The following points from the report are of some interest in connection with the coal industry:

(i) A large part of the coal industry had long been owned and run by the State in Germany; the State of Prussia alone had over 54 collieries, producing 25,000,000 tons a year.

(ii) The Commission had to examine the whole situation, including the State mines, and condemned them unanimously and not less emphatically than the private mines, and that on the more serious grounds of inefficiency, thorough bureaucracy, red tape, favouritism in appointments and promotion, political influence, lack of sense of financial responsibility, slackness, slowness, delay and rates of pay 'absolutely low, and in comparison with private industry positively ridiculous'.

This Commission of sympathetic Socialists was finally driven to say:

'The evidence before the Commission has produced such glaring examples of the incompetence of this lumbering State organisation that no doubt at all remains of the necessity of entirely transforming it.'

The British Coal Commission of 1921 described the German experiment as 'a most convincing demonstration of the fallacy of Socialist theories applied to mining'.

Socialist propagandists have had much to say about the alleged efficiency and success of the Dutch State coalmines. They are the newest in Holland and thus have the benefit of the most

modern equipment and lay-out, but the opinion of unbiased experts is that, by and large, they are slightly less efficient than the privately-owned mines. It is worth noting that in the Dutch State mines output is stimulated by granting additional rations to miners who exceed a certain output of coal. Surely our Socialist purists should regard this as a highly objectionable practice? Similarly in the Soviet coal industry output is stimulated by Stakhanovism, which is of course simply a system of increasing output by bonus payments. When the Iron and Steel Confederation delegation visited Russia they failed to find a worker who was not a Stakhanovite, which would seem to show that under Sovietism a psychological as well as a financial spur is applied. In spite of this fact competent experts agree that where conditions are comparable output per manshift is higher in the British coal industry than in the Russian.

The advocates of coal nationalisation claim that it is unfair to cite as evidence against it the results of the State direction of the British coal industry in two wars, for the reason that the element of private ownership was not eliminated. As this book is intended to be a plain statement of facts and figures of nationalisation in full operation the British coal industry is being left out of the picture.

Chapter 10

THE OTHER EIGHTY PER CENT

LEADING members of the Socialist Government, echoed by the propaganda claque in Transport House, have on several occasions taken great pains to emphasise that when their plan of nationalisation is completed eighty per cent. of the industries and services of the country will still be left under the control of private enterprise. One most important point they leave unexplained—how the eighty per cent. is calculated. They do not say whether it is based on the number of persons employed, on the capital value of the said industries, on their annual turn-over, their annual output or on what basis. The answer is, in all probability, that they don't know, eighty per cent, being a nice round figure with which to reassure the nervous and lull them into a state of complacent but completely false security.

What is known, quite clearly, is that the Socialist nationalisation plan covers the Bank of England, the coal industry and its considerable ancillary industries, gas and electricity production and distribution, railways, road haulage, inland waterways, docks, cables and wireless, civil aviation and a portion of the iron and steel industry.

It is quite evident that the Socialist Government wishes to create in the public mind the impression that when it says that eighty per cent. of industry is to be left under free enterprise, it will be really free, at least within the limitations and controls that any government must place on the economic system in a period of post-war construction. They seek to strengthen this impression by praising industry, from time to time, by patting it on the back for its success in the export drive, by using such words about it as 'helpful' and 'co-operative', and by appealing

to it to join in an all-out drive for greater production. Leading industrialists are called into consultation with the Government, are invited to join Government Boards, the general aim being to create an 'all pals together' atmosphere. But what is really happening? Something very different. While the deliberate nationalisation of the twenty per cent. is being carried out, an equally deliberate policy of shackling the eighty per cent. is being introduced, without a 'mandate', without a flourish of trumpets or a banging of the propaganda drums.

The nationalisation of the coal industry gives the Government great power over industry as a whole; it will be all the greater when the State controls the gas and electricity industries as well, for the State and the State alone will be the supplier of the motive power of the greater part of industry. Coal, gas and electricity will be sold at whatever prices the State thinks fit, coupled with the power to increase or deny supplies to this or that enterprise. If an industry wishes to change over from raw coal to gas, or from gas to electricity, the State can dictate whether that change should or should not be made. The nationalisation of the railways and road haulage industry strengthens the shackles considerably. At present a farmer or market gardener can choose whether he sends his produce to market by road or rail; the manufacturer also has considerable freedom of choice in the carrying of his products. With transport under its control the State will be able to lay down what methods of transport this or that trader must use—and at what price. Appeals against freight rates are likely to become waste of time and money. The trader, at present, can change the unsatisfactory haulage contractor for another, but you cannot change the State for the State. When the State controls all supplies of coal, iron, steel, gas and electricity; when the State runs the railways, the docks, long distance road haulage, and operates two services vital to exporters—cables and wireless and commercial aviation—is it not a mockery to talk about the freedom of the unnationalised eighty per cent.?

There is another side to this ugly picture. Many industries will be in the position of being suppliers to State enterprises. For example, the coal industry is a large-scale purchaser of machinery, timber, oil, grease, cables, wagons, bricks and electrical equipment. None of the suppliers of these commodities is to be nationalised, but who will fix the prices at which they sell to the coal industry? When the Dynamo football team came over to this country, it was noticed that every member of it wore the same type of black hat, the same pattern of dark suit and overcoat, the same style of shirt, tie and socks. This was remarked on as a symptom of Soviet standardisation. But are our own standards of variety so safe? May we not find that we have thrown war-time 'utility' out of the front door to find it marching in at the back in the form of 'electric-kettle, standardised type, nationalised electricity industry, for the use of'; 'gas stoves and cookers, standardised type, nationalised gas industry, for the use of'; with electric fires and light bulbs controlled at a standard laid down by the Ministry of Fuel and Power?

Other powers also lie in the hands of the Socialist State to aid it in placing the handcuffs and leg-irons on 'free' enterprise. For example, the order controlling all supplies of building materials down to the padlock for the chicken house and a pair of hinges for the garden gate, which slipped in so quickly on 1 May 1946. That order can be used by the Ministry of Health to put out of business any builder who refuses to toe the line. It can be used to hold up any private enterprise housing scheme that is showing up a State-encouraged local authorities' scheme in an unfortunate light. It is a potent weapon to be used against landowners who do their own estate maintenance and repairs. In his 1946 Budget speech the Chancellor of the Exchequer announced the end of E.P.T., but he coupled it with a plain threat to industry. What he said—put into plain industrial and not London School of Economics English—was that if industry, the 'free' eighty per cent., did not comply with some vague undefined Socialist standard of requirements, it

would be subjected to penal taxation. Industry is thus granted a Daltonian ticket-of-leave plus a clear threat of the punishment cell. The Socialist Chancellor also announced an increase in the higher rates of death duties coupled with an arrangement whereby landowners may, instead of paying in cash, hand over their land to the State. Mr. Dalton coupled this with a hymn of praise for the countryside, which comes ill from a leading member of a party which has consistently neglected the welfare of the land and agriculture since it first became a political force. This perhaps was the smoke screen to cover up what is in fact land nationalisation by the back door—a project not covered by the 'mandate'.

Mr. Dalton is not the only member of the Socialist Government to make threats. In May 1946 Mr. W. J. Edwards, Civil Lord of the Admiralty, warned the shipping industry that if it did not behave in the way that the Government wished it to behave it would be the Government's duty 'to bring it to efficiency'. Speaking to the Confederation of Shipbuilding and Engineering Unions at Bournemouth on 21 May 1946 he said:

'I told the shipowners. You are free at the moment but remember that there are a number of other industries to come on the list for nationalisation, and the time may arrive when we shall have great pleasure in scheduling you.'

This statement is of sufficient importance to be worthy of further analysis, for it is in the 'ticket-of-leave punishment cell' technique as employed by Mr. Dalton. You are free now, says the Civil Lord, and then passes on to deliver a threat which is plain political blackmail. You can buy your freedom, he says to the shipowners, by complying to some unstated standard of 'efficiency'—the word efficiency meaning in this case not a high standard of conduct in the handling of ships and the carriage of freight and passengers, but a subservience likely to please Mr. Edwards and his Socialist colleagues. But, he warns the shipowners, if you do not pay the price, then the prison gates of nationalisation will close upon you, and we shall derive a

sadistic pleasure from looking at you through the bars. Readers of European history over the past twenty years will find a remarkable similarity between the Dalton-Edwards technique and that used by Adolf Hitler in dealing with smaller nations.

There is also the steady sapping and mining that is being conducted by such means as the Control of Investments Act, a whole host of Statutory Regulations and Orders, and by the continual use of 'directions' originally intended for war purposes only. No one will deny the need, in the post-war period of reconstruction, for a measure of direction and control over industry and commerce, but can, to take but one example, the closing down of the Liverpool Cotton Market be regarded as a move calculated to assist free enterprise? It is simply part of the sapping and mining operation to strengthen the control of the State over the cotton industry, an important section of the 'free' eighty per cent. The Socialist Government may well decide to subject other markets to the same treatment, for the same purpose.

The decision to close down the Liverpool Cotton Market brought forth a strong protest from Alderman Luke Hogan, the Socialist Lord Mayor of Liverpool. On 31 July 1946 he met Sir Stafford Cripps, President of the Board of Trade, at the House of Commons, in order to urge upon him the need for providing additional employment in the Liverpool area arising out of the closing of the City's Cotton Market. On his return to Liverpool Alderman Hogan made a statement from which the following passages are taken:

'I return in a mood of complete dubiety. I am not satisfied that the Government's plan presents a realistic picture of Liverpool which will remove its dread of acute unemployment. In fact, as I told Sir Stafford, if the present trend is pursued, we are in danger of becoming a Fascist State.

'When I said that, Sir Stafford replied, "You are now rude," and my reply was: "I have poverty in Liverpool, lived in it and

got out of it, and I am now going to devote my time to preventing other people from getting into it."

'I am thoroughly disgusted at the assurance that whatever the sufferings may be, near or remote, Labour is in power, is in heaven, and everything will come out all right.

'Such an attitude destroys the last hope of anything being done for those affected in Liverpool by the closing of the Cotton Market. I am completely disillusioned regarding Socialist policy in its application to Liverpool.

'I received scant consideration for the questions I put to Sir Stafford. In fact, his only answer to all my points was "No".'

The Socialist planners are students of human nature and they realise that the ordinary member of the public is unlikely to revolt against nationalisation unless or until it affects him or her as an individual. Take the nationalisation of the mines. The ordinary householder, unless he happens to be a colliery shareholder, will not be a bitter opponent of State control of the mines unless and until he finds that he cannot get enough coal to keep him warm or unless the price goes up. The same applies in the case of gas and electricity nationalisation. If it results in low pressure, interruptions in supply and high charges, the public, very late in the day, will have very decided views about the virtues of State ownership. It is for precisely this reason that the general reaction to the nationalisation of the road haulage industry was markedly hostile. Here was a plan affecting not just a comparatively small number of companies and undertakings but the lives and livelihood of some sixty thousand operators, and their employees, many of them imbued with the ambition of becoming road hauliers themselves. It also affected large numbers of farmers and market gardeners. Their reaction to proposals for State control were immediate and violent. The colliery shareholders were inarticulate; the road hauliers were very articulate. They spoke with the voice of free men.

Human nature and the British character being what they are, the normal reaction of those not about to be nationalised

was: 'Oh well, it isn't us, anyway'. In this attitude lies danger for all those who adopt it. The danger was explained admirably in an address by Lt.-Colonel Derek Walker Smith, M.P., to the annual conference of the Council of Retail Distributors at Buxton in April 1946. He said:

'You will recall how easy Hitler found it in the early days to deal with the small nations whom he had singled out as the victims of his aggression. He found it easy because he was able to deal with them piecemeal. It was always his last territorial demand in Europe. It was always only one small nation with which he wished to deal. The others could have a guarantee of friendship and good faith. It was not Czecho-Slovakia; it was only Austria. It was not Poland; it was only Czecho-Slovakia. It was not France and England; it was only Poland. It was not the world; it was only France and England. It is not Iron and Steel; it is only the Banks. It is not Transport; it is only Iron and Steel. It is not Agriculture; it is only Transport. It is not Retail Distribution; it is only Agriculture. . . .'

That is the real threat of the nationalisation programme of a Socialist Government, the threat to the eighty per cent. as well as the twenty per cent. The appetite of the State is insatiable; like an octopus it throws out one strangling tentacle after another. And the octopus has a not so little brother—the Co-operative Movement, the favoured darling of its Socialist parents. It is as well to recognise that the nationalisation programmes of the Socialist Government are a challenge to British liberty. Anyone who has read history, not the history of kings and princes and battles but the history of the ordinary folk who make up the bulk of this nation, will be struck by the continuity of their desire, whatever their station in life, for individual freedom. To preserve it they have fought against tyranny after tyranny. In the Middle Ages they fought against the tyranny of the nobles and the Princes of the Church. When kings set themselves against the people they fought them as well. Abroad they fought the French, the Spaniards, the Dutch and the Germans, sometimes

a combination of these powers. Between the end of the seventeenth and the beginning of the nineteenth centuries our forbears had to fight the French seven times in 120 years. We in our time have fought the Germans twice in 25 years. Through the tangled skein of our history the battle for liberty runs as an untarnished golden thread.

Religious tyranny is long a thing of the past, as is the tyranny of kings and nobles. The power of Italy, Germany and Japan is shattered. But it would be futile to pretend that a new tyranny does not threaten to-day. When the Socialist Attorney General, Sir Hartley Shawcross, blurted out in a moment of triumph in the Mother of Parliaments 'We are the masters', he spoke with the authentic voice of the Totalitarian State.

Chapter 11

COAL IS THE YARDSTICK

'YESTERDAY it was Coal; to-day it is Cables. The Socialist advance, therefore. continues.' Thus the Socialist Chancellor of the Exchequer, Mr. Dalton, on 21 May 1946, moving the Second Reading of the Cables and Wireless Bill. But he did not add what he should have added, to give Parliament and the nation a true picture of nationalisation in practice. He should have said that the yardstick of the Socialist advance up the road of State control is coal. On the production of coal, and so on the efficiency and output of the nationalised coal industry, the whole of Britain's economic future depends. If output continues to decline--the average weekly output was 4,353,000 tons in 1938, 3,957,000 tons in 1941, and 3,350,000 tons in 1945—the nation's productive capacity will decline. If on the other hand there is a marked increase in coal output, the whole of industry, the export trade and the domestic consumer will benefit. The Socialist Government chose coal as their first venture into the field of State control. Coal is, and will remain, the yardstick with which the nation and the world will measure the results of nationalisation.

The Coal Industry Nationalisation Bill was read a third time and passed on 20 May 1946. During the latter stages of the debate an outstanding speech was made by a Conservative Member, Colonel Lancaster, who has had many years' experience in the coal trade. It was outstanding in that with an admirable economy of words he explained the responsibilities assumed by the Government and the broad situation existing in the coal industry. This is what he said:

'The Board's two main duties are, broadly, the integration and reorganisation of the industry and the winning of coal.

However, before either of these tasks can be embarked upon there is no question but there must be a return of discipline to the pits. By discipline I mean discipline in its highest sense, not merely the hiring and firing of men but team work and the ready acceptance by the individual of instructions and orders, discipline which creates a common purpose actuating all categories of worker to a common end. By that means and that means alone shall we be able to arrest the decline in the production of coal, leave alone increase our tonnage. It is a sobering thought that at this moment precisely the same number of men are producing 20 million tons of coal a year less than in 1941 with rather more machinery with which to do it. I do not believe there is a single responsible colliery manager in the country but attributes that at this moment to other than absenteeism and the lack of discipline.

'Before I pass to the first of the duties of the Board, I should like, if I may, without being out of Order, to refer just to the experience of Australia in this matter. The Federal Board of Inquiry, as the House knows, recently brought out a very detailed report of their experiences which, in many ways, are not dissimilar to our own. There they were faced with a drop in production, and the need for physical reorganisation. They found, as I suggest we shall find, that before it was possible to embark on any large-scale reconstruction they had to deal with this matter of discipline. The report closes with these words :

' "The difficulty lies in the implementation of the plans that were suggested without the basic requirement of the preservation of discipline."

'For the last fifteen years, their experience has been of public and privately owned mines working side by side. Neither by financial results, or any other test, can they claim that publicly owned undertakings have shown any advancement on the privately owned undertakings, and in this matter of discipline there was no improvement to be found in the publicly owned

undertakings. I suggest to the Minister that however sincerely he believes in the virtues of national ownership he will be making a mistake if he expects any prospects of improvement without tackling this important matter.

'I want to turn to this question of the psychological advantage to be obtained from nationalisation. If, indeed, there is such a thing it will be of very ephemeral value. About fifteen years ago, I had the opportunity of spending some months in the Russian coalfields, studying conditions there. They had embarked on Communism, so far as coal mining was concerned, with something of the same belief. They thought that there would be an immediate psychological reaction in their favour. There could have been no greater disillusionment. They had to learn the long and painful lesson, which we all have to learn, that whether a man is a soldier or a coal miner, or any one else, he will react precisely as circumstances warrant. If a soldier belongs to a unit where morale, welfare, training, and leadership are high, he will respond accordingly. It is just the same with the miner. If the conditions of his employment are made reasonable, if he is given the right tools and a chance to contribute his share at a variety of levels, if he is given an adequate wage and decent living conditions, he will give of his best. It is by those means that we must tackle the first problem which confronts us, whether it is under nationalisation or any other scheme.'

Later in his speech Colonel Lancaster said:

'It has always been surprising to me that the trade union leaders, the Miners' Federation, who had achieved a position in which 85 per cent. of the proceeds of the industry were directly under their control, should have wanted to obtain the other 15 per cent. at the price of the responsibility which will fall on their heads. I would much sooner that the Government had conceived a scheme somewhat along the lines of the one which I and some of my colleagues produced two years ago. Under those proposals, there were incentives to initiative at every level in the industry. I am afraid this Bill will not result in that.

We gave a positive assurance that all schemes of physical reorganisation should come up from below. I am likewise by no means happy now on that account. But there it is.

'The nation has decided, and the Government are seeking to carry out their mandate. Shortly the responsibility will become one which will be the principal preoccupation of the whole Cabinet, and not only by the right hon. Gentleman the Minister of Fuel and Power. I hope that at least they will make certain of their ground, in regard to this great industry, before embarking on a similar scheme for any of our other heavy industries. The Minister and his colleagues will be responsible, in a short while, for the lives and the welfare of something like one million men and their families, and for nothing less than the foundation of the economic structure of this country. Men of goodwill in all parts of the House must wish them well. May they prove themselves worthy of their trust.'

Any student of nationalisation and the propaganda put out in the past forty years by the Socialist Party and the Miners' Federation in favour of State control of the mines will be familiar with the argument that strikes, absenteeism and falling output were basically the fault of the mine-owners, and that once nationalisation became an accomplished fact all would be well. It is fitting to remember this line of argument in the coming months and years, for in the long run the future of the industry will depend upon the human relationships existing in it. The Minister of Fuel and Power is perfectly right when he says that discipline in the mines cannot be the same as the discipline in a regiment or ship, for self-discipline is what the miners must exercise and that is often discipline in its harder form. It is therefore well to consider to what extent the miners have sought to exercise this self-discipline since the prize of nationalisation came within their grasp.

In the second quarter of 1945, i.e. at the time of the General Election, the figure of avoidable absenteeism for coal-face workers was 7.8 per cent. and the overall output per man-shift

at the same time was 0.97 tons. In the third quarter of 1945, with the General Election fought and won, and the Coal Nationalisation Bill started on its way through the House of Commons, the figure of avoidable absenteeism had risen to 9.4 per cent. while output per man-shift had fallen to 0.92 tons. In April 1946, with the actual physical act of nationalisation well in sight of the miners, avoidable absenteeism had risen to 10.68 per cent. and output per man-shift had risen to 1.01 tons.

These figures of avoidable absenteeism are hardly indicative of the 'new spirit in the industry' to which the Socialist propagandists so often refer, and it is worth noting that a coal face absenteeism figure of 10.6 per cent. means in terms of lost output something like 22,000,000 tons per year.

Nor are the figures of unofficial strikes encouraging. In the whole of 1945 there were 1,295 such strikes in the mining industry. In the first six months of 1946 there were 720 strikes in the mining industry as compared with 575 in the same period of 1945.

The Nationalisation Act has put immense powers into the hands of the Minister of Fuel and Power, perhaps greater power than is vested in any other Officer of the State. All through the discussions on it he resisted all efforts to diminish his powers, with, of course, the full realisation that with great power goes great responsibility. Clause 3(1) of the Act reads:

'The Minister may, after consultation with the Board, give to the Board directions of a general character as to the exercise and performance by the Board of their functions in relation to matters appearing to the Minister to affect the national interest, and the Board shall give effect to any such directions.'

That Clause gives the Minister dictatorial power. He holds the yardstick. The two main arguments put forward in support of the nationalisation of the mines, both by the miners over the past forty years and by the Socialist Government, were that State ownership was necessary to secure greater efficiency and better human relations in the pits. It is of the first importance

that the public should keep these arguments in mind. The whole case for nationalisation was based on them; if the hard inescapable facts—the figures of output per man-shift, the weekly total of output, the supply of fuel to industry and the domestic consumer, the amount available for export, the numbers of strikes and the level of avoidable absenteeism—prove these arguments to be fallacious, the whole case for nationalisation falls to the ground.

In a debate on the coal situation in the House of Commons on 24 July 1946, the Minister of Fuel and Power, Mr. Shinwell, said:

'If this industry under the new organisation proves to be a failure, if we do not secure the coal we need, if we fail to use the coal efficiently and scientifically according to the national needs, and if we fail to step up exports in due course, then it will be a bad look out for the whole country. It is not merely a matter for the Government or the Opposition: it is a matter for the whole nation.'

That declaration is worth recording for future reference.

Chapter 12

CONCLUSION

SUCH are the facts and figures of nationalisation in practice, the story of the experience of other nations in State control. By and large, the story has been the same in almost every case and every country. Losses, not profits, in nationalised undertakings, losses becoming an increasingly heavy burden on the taxpayer. In some cases the employment of methods of accountancy that would never be tolerated in a privately-owned enterprise. A general over-all decrease in efficiency, resulting from State control. Very few State-controlled industries or services can claim to be more efficient than the privately-owned enterprises operating under comparable conditions. Except in Russia, where it is enforced by methods intolerable to a democracy, a general deterioration of labour discipline, and a general tendency on the part of the trade unions to extract the maximum from the State, regardless of the economic condition of the industry or service. And a general tendency to make the nationalised enterprise a pawn in party politics.

Britain is just embarking upon her first large-scale ventures into the realm of nationalisation. The Socialist Government's argument is that it is doing so on a 'mandate' from the people. The actual existence of such a mandate is open to grave doubt—for resolutions passed at Labour Party conferences do not constitute a mandate. The writer of this book fought the General Election as a Conservative in a constituency containing an appreciable number of miners. In personal canvassing and at meetings many people told him that they were going to vote Labour, and gave many reasons for doing so. But not once did an elector tell him that he or she was going to vote Labour because of a desire for nationalisation. The 'mandate' was

never mentioned as a reason for voting Socialist. There is no reason to think that this experience is unique.

Soldiers in the R.A.S.C. did not vote Socialist because they wanted the nationalisation of the road transport industry. The Durham Light Infantry, the Northumberland Fusiliers or the South Wales Borderers did not vote Socialist to secure the nationalisation of the coal industry. The R.A.F. voted predominantly Socialist, but not for State control. The Services voted Socialist because they were 'browned off' and believed that a Labour Government would mean 'quicker demob'. A great mass of people voted Socialist because they thought it was 'time we had a change'. But how many convinced dyed-in-the-pink-wool members of the Labour Party went to the polling booths declaiming: 'I am voting Labour because the Party has passed resolutions in favour of nationalisation'?

This doubt as to the authenticity or existence of a mandate to subject some twenty per cent. of the industries and services of Britain to State control makes it all the more necessary to understand exactly what the Socialist Government is doing and to examine very closely the results of nationalisation as they will appear with the passing of the months. It is also important to keep a close watch on the intentions of the Government regarding the loosely-defined eighty per cent. of industry that is not to be State-controlled. A study of current legislation affecting industry and the host of controls on the Statute Book has left in the mind of at any rate one person the very definite impression that the deliberate nationalisation of the twenty per cent. is being accompanied by an equally deliberate undermining and sapping away of the powers and freedom of the eighty per cent.

The Minister of Health in his attack on the private builders has already demonstrated that by the use of the powers vested in him to control supplies of materials he can force builders to go out of business. Sir Stafford Cripps's 'working parties' in industry—very similar to the bodies set up by Mussolini to control Italian industry for Fascist ends—are beginning to

exercise their powers of 'direction', the totalitarian word of which Socialist ministers are so fond. The Chancellor of the Exchequer made it quite clear in presenting his 1946 Budget that he is prepared to use it not only for running the country's finances but as an instrument for threatening and coercing industry. And above all the Socialist Government has shown that it is prepared to use its huge Parliamentary majority for the purpose of rushing through legislation without proper discussion. There is a very real and grave danger of Parliament taking unto itself powers that it was never meant to exercise. 'If it is a Socialist Bill it must be a good Bill' is a dangerous principle in a democracy. Nearly one hundred years ago Disraeli said: 'I will allow for the freedom of the Press; I will allow for the spirit of the age; I will allow for the march of intellect; but I cannot force from my mind the conviction that a House of Commons, concentrating in itself the whole power of the State, might establish in this country a despotism of the most formidable and dangerous character.'

Quite apart from the mystical 'mandate', the Socialist Government has a definite technique for nationalisation. Their argument runs something like this: 'If an industry such as the coal industry is inefficient, it must be taken over to make it efficient. If an industry consists of a large number of small units, as in the case of road haulage, it must be centralised in the public interest. If it is highly centralised, as in the case of the iron and steel industry, then it must be taken over as there is a danger of its becoming a monopoly. If an industry is highly organised and highly efficient, as in the case of the electricity industry, it is in the national interest to bring it under public control'. Thus runs the argument of the doctrinaire Socialists, the majority of whom have had no practical experience of running an industry or business or of being responsible (to an annual meeting of shareholders) for their conduct of affairs.

While the dark clouds of doubt may be gathering on the horizons of the Minister of Fuel and Power and the miners'

leaders, the Labour Government and its supporters inside and outside Parliament still have faith in nationalisation, even if it is only a propaganda faith. At the time of the passing of the Corn Laws, Disraeli said: 'You have become united to Free Trade, and nothing can divorce you except you can prove the charmer to be false. Wait then, till that period has arrived; when you find that you have been betrayed, then will be the time to seek a divorce from that pernicious union. You have become united to the false Duessa, and you must must take the consequences; and the consequences, I venture to predict, will be that the House of Commons, after a fair, full and ample trial of this great measure, will be driven to repeal it from absolute necessity, though at the termination of much national suffering; but that that suffering will be compensated for by the bitterness and the profundity of national penitence.' The voice of the great statesman comes down over the years. It is necessary only to change two words—State Control for Free Trade.

As we watch the experiment of large-scale nationalisation of industry and services worked out in Britain, as we gauge its successes and failures by its impact on our daily lives, we can do a lot worse than remember words spoken by the same great man on another occasion. He said: 'It may be vain now in the midnight of their intoxication to tell them that there will be an awakening of bitterness; it may be idle now, in the springtide of their economic frenzy to warn them that there may be an ebb of trouble. But the dark and inevitable hour will arrive. Then, when their spirits are softened by misfortune, they will recur to those principles that made England great, and which, in our belief, will only keep England great.'